

HOUSE OF REPRESENTATIVES—Monday, September 21, 1992

The House met at 12 noon.

PRAYER

The Chaplain, Rev. James David Ford, D.D., offered the following prayer:

We are grateful, O God, for the gifts of vigor and energy and all the blessings of health. We remember this day those colleagues and friends who are hospitalized or ill and we pray that they will be restored in health and receive new strength. Pour out upon them and upon each of us the comforting presence of Your spirit and nurture us along the way of life with assurance of Your word and the protection of Your power. These petitions, together with the requests of our own hearts, we place before You, O God, our strength and our redeemer. Amen.

THE JOURNAL

The SPEAKER. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Pursuant to clause 1, rule I, the Journal stands approved.

PLEDGE OF ALLEGIANCE

The SPEAKER. Will the gentleman from Mississippi [Mr. MONTGOMERY] please come forward and lead the House in the Pledge of Allegiance.

Mr. MONTGOMERY led the Pledge of Allegiance as follows:

I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

COMMUNICATION FROM THE CLERK OF THE HOUSE

The SPEAKER laid before the House the following communication from the Clerk of the House of Representatives:

WASHINGTON, DC,
September 21, 1992.

Hon. THOMAS S. FOLEY,

U.S. House of Representatives, Washington, DC.

DEAR MR. SPEAKER: Pursuant to the permission granted in clause 5 of rule III of the Rules of the U.S. House of Representatives, the Clerk received the following message from the Secretary of the Senate on Friday, September 18, 1992 at 7:47 p.m., that the Senate recedes from its amendments numbered 1 through 68 and agrees to the House amendment to Senate amendment numbered 69 to H.R. 5620.

With great respect, I am

Sincerely yours,

DONALD K. ANDERSON,

Clerk, U.S. House of Representatives.

TRIBUTE TO WILLIAM L. SPRINGER

(Mr. MICHEL asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MICHEL. Mr. Speaker, I'm sorry to report to the House that our dear friend and former colleague William L. Springer passed away this last weekend in his hometown of Champaign, IL.

Bill served in the House from 1951 to 1973, having served formerly as a judge in our circuit court system in Illinois.

Some of the oldtimers here in this body will certainly remember Bill's distinguished service as our ranking Republican on the Interstate and Foreign Commerce Committee. Bill had an exceptional rapport with Members on both sides of the aisle and when he was responsible for managing a bill in the field of commerce, transportation, health, or whatever, he always knew his subject matter well, to take on all comers during the debate. He was also a tough competitor on the paddleball court and in the annual and traditional Republican-Democratic baseball game.

Over and above all of Bill's outstanding professional attributes, he was indeed a man of sterling character and I considered him one of my closest friends in the Congress. Unfortunately, after Bill retired, he became a victim of Alzheimer's disease.

Bill is survived by his wife of 50 years, the former Elsie Mattis; three daughters, Katherine, Anne, and Georgia; a brother, James; and a sister, Marjorie; and six grandchildren.

I'm sure I speak not only for the Illinois delegation, but the entire House in expressing our profound sympathy to Elsie and the family, and I include in my extension of remarks the complete obituary appearing in this morning's Washington Post.

[From the Washington Post, Sept. 21, 1992]

WILLIAM L. SPRINGER, 83, DIES; CONGRESSMAN FROM ILLINOIS

William L. Springer, 83, an Illinois Republican who served in the House of Representatives from 1951 to 1973, died Sept. 20, at his home in Champaign, Ill. He had Alzheimer's disease.

Mr. Springer, a thoughtful and conservative former judge, rose to become the ranking Republican and a dominant figure on the Interstate and Foreign Commerce Committee. He also had served on the House District Committee, where he was ranking member before becoming ranking member on Commerce in 1965. He also had served as vice chairman of the House Republican Campaign Committee in the early 1970s.

He was the author of Public Law 480, the surplus agriculture trade and development

act of 1954. He helped write legislation that extended the act and became known as "Food for Peace." This included laws that ordered the use of surplus American foodstuffs to feed hungry people overseas.

Over the years, Mr. Springer had been a delegate to numerous international gatherings, including the U.S.-Mexico Inter-parliamentary Conference and the U.S.-Britain Bilateral Parliamentary Conference of Oxford. He also participated in international gatherings in Europe dealing with trade, telecommunications and health.

After retiring from the House, he served on the Federal Power Commission from 1973 to 1975, then on the Federal Election Commission from 1976 to 1979.

Mr. Springer was born in Sullivan, Ind., and was a Navy veteran of World War II. He was a 1931 graduate of DePauw University and a 1935 graduate of the University of Illinois law school.

He entered into the private practice of law in Champaign in 1936. He served as state's attorney of Champaign County from 1940 to 1942 and was a county judge from 1946 until winning election to the House in 1950.

He represented what was then the 22nd House District of Illinois, a district in the central part of the Prairie State that included the huge university of Illinois, Champaign AFB in Rantoul and the town of Champaign and Decatur. But mostly it included rich agricultural land that produced bumper crops of corn and soybeans and fed hogs and cattle.

The district was largely Republican, and Mr. Springer always won by comfortable margins. He won his last race in 1970 with 59 percent of the vote. He did not run for reelection in 1972.

Survivors include his wife of 50 years, the former Elsie Mattis, of Champaign; three daughters, Katherine Springer of New York, Anne McKnight of Arlington and Georgia Springer of Raleigh, N.C.; a brother, James, of Danville, Ill.; a sister, Marjorie Hayes of Urbana, Ill.; and six grandchildren.

COMMUNITY PARTNERS MAKING A CHANGE

(Mr. MAZZOLI asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MAZZOLI. Mr. Speaker, I know of nothing which is ripping more viciously at the fabric of American society and with more grievous results than substance abuse, alcohol abuse, drug abuse. And I think it is fair to note that any successful efforts to curb such abuse in any hometown in any State will take the combined resources and a partnership activity on the part of all those who feel that substance abuse is seriously hurting America.

Therefore, I am very happy that this weekend in Louisville, on Friday and Saturday, we will have a 2-day seminar, jointly sponsored by the Aware

□ This symbol represents the time of day during the House proceedings, e.g., □ 1407 is 2:07 p.m.

Matter set in this typeface indicates words inserted or appended, rather than spoken, by a Member of the House on the floor.

Coalition, whose executive director is Michael Ford, and the Wellness Institute under the leadership of George Perkins, entitled "Community Partners Making a Change."

This two-day seminar is to train volunteers and to make them aware of the new techniques of fighting drug abuse and of treating it, if one cannot prevent it.

We are happy to have Gov. Robert Martinez, who heads up the Federal agency fighting drug abuse. I am sure that the volunteers will leave this 2-day meeting not only with a greater appreciation of where they fit into the substance abuse fight but certainly with a greater dedication to rid America of this horrible scourge.

WOMEN'S HEALTH RESEARCH, A GREAT TRAGEDY

(Mrs. SCHROEDER asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Mrs. SCHROEDER. Mr. Speaker, today the National Institutes of Health will be releasing the results of a conference on women's health, mandated by this body, that was held last year, last September, as a matter of fact.

And that conference says exactly what the Congresswomen have said, exactly what the GAO had said. And that is, when it comes to women's health, whether we start at infancy or whether we get to death and everywhere in between, it is a big dark hole.

We have not done the research we should be doing with Federal dollars on it, and it really is a great tragedy.

I say, Mr. President, here is your very own agency, the National Institutes of Health, agreeing with all of us who worked so hard on the women's health equity bill. We are so sorry you vetoed it, and we are going to be presenting it again. We hope you will now listen to your own agency and sign this bill, because it is absolutely outrageous that you take tax money from over half of America's people, women, and never do any health research and leave their health in such jeopardy, as one more time it is being documented.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. MONTGOMERY). Pursuant to the provisions of clause 5 of rule I, the Chair announces that he will postpone further proceedings today on each motion to suspend the rules on which a recorded vote or the yeas and nays are ordered, or on which the vote is objected to under clause 4 of rule XV.

Such rollcall votes, if postponed, will be taken on Tuesday, September 22, 1992.

SOVIET SCIENTISTS IMMIGRATION ACT OF 1992

Mr. MAZZOLI. Mr. Speaker, I move to suspend the rules and pass the Senate bill (S. 2201) to authorize the admission to the United States of certain scientists of the Commonwealth of Independent States and the Baltic States as employment-based immigrants under the Immigration and Nationality Act, and for other purposes, as amended.

The Clerk read as follows:

S. 2201

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Soviet Scientists Immigration Act of 1992".

SEC. 2. DEFINITIONS.

For purposes of this Act—

(1) the term "Baltic states" means the sovereign nations of Latvia, Lithuania, and Estonia;

(2) the term "independent states of the former Soviet Union" means the sovereign nations of Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan; and

(3) the term "eligible independent states and Baltic scientists" means aliens—

(A) who are nationals of any of the independent states of the former Soviet Union or the Baltic states; and

(B) who are scientists or engineers who have expertise in nuclear, chemical, biological or other high technology fields or who are working on nuclear, chemical, biological or other high-technology defense projects, as defined by the Attorney General.

SEC. 3. WAIVER OF JOB OFFER REQUIREMENT.

The requirement in section 203(b)(2)(A) of the Immigration and Nationality Act (8 U.S.C. 1153(b)(2)(A)) that an alien's services in the sciences, arts, or business be sought by an employer in the United States shall not apply to any eligible independent states or Baltic scientist who is applying for admission to the United States for permanent residence in accordance with that section.

SEC. 4. CLASSIFICATION OF INDEPENDENT STATES SCIENTISTS AS HAVING EXCEPTIONAL ABILITY.

(a) IN GENERAL.—The Attorney General shall designate a class of eligible independent states and Baltic scientists, based on their level of expertise, as aliens who possess "exceptional ability in the sciences", for purposes of section 203(b)(2)(A) of the Immigration and Nationality Act (8 U.S.C. 1153(b)(2)(A)), whether or not such scientists possess advanced degrees.

(b) REGULATIONS.—The Attorney General shall prescribe regulations to carry out subsection (a).

(c) LIMITATION.—Not more than 750 eligible independent states and Baltic scientists (excluding spouses and children if accompanying or following to join) within the class designated under subsection (a) may be allotted visas under section 203(b)(2)(A) of the Immigration and Nationality Act (8 U.S.C. 1153(b)(2)(A)).

(d) TERMINATION.—The authority of subsection (a) shall terminate 4 years after the date of enactment of this Act.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Kentucky [Mr. MAZZOLI] will be recog-

nized for 20 minutes, and the gentleman from California [Mr. MOORHEAD] will be recognized for 20 minutes.

The Chair recognizes the gentleman from Kentucky [Mr. MAZZOLI].

GENERAL LEAVE

Mr. MAZZOLI. Mr. Speaker, I ask unanimous consent that all Members have 5 legislative days within which to revise and extend their remarks on the Senate bill presently under consideration.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

Mr. MAZZOLI. Mr. Speaker, I yield myself such time as I may consume.

At the outset, I would like to thank our chairman, the gentleman from Texas, Chairman BROOKS, for having scheduled the bill, both at the full committee and for putting it on the floor today, to thank my ranking member on the Subcommittee on International Law, Immigration, and Refugees, from which this bill came, the gentleman from Florida [Mr. MCCOLLUM], with whom I have worked very happily for many years, and to thank the gentleman from Florida [Mr. FASCELL], chairman of the House Committee on Foreign Affairs, who had joint referral of the bill and was very cooperative with the gentleman from Texas, Chairman BROOKS, on moving this bill rapidly forward.

Mr. Speaker, the dissolution of the Soviet Union and the collapse of the Soviet-led Warsaw Pact has produced many results, most of them are happy results. Certainly, the tone is optimistic about the future.

But, there have been some unexpected events, including the unemployment of thousands upon thousands of former Soviet, primarily Russian, nuclear scientists and technicians, formerly employed in the Soviet defense industries.

These unemployed scientists could, of course, be either a stabilizing or a destabilizing influence on not only the surviving states of what was the Soviet Union, the current Commonwealth of Independent States, but also, of course, upon Europe and the world.

Basically, it all depends on where these people go to earn a living and what they do to earn that living. That is where this bill comes in.

It serves, I think, in a harmonious way, to handle this rather happy problem that we have of talented and very industrious and trained technical and scientific people, who formerly had been working in the defense industries, and now want to do something with these talents. So the bill before us has as its objective to permit many of these Soviet nuclear scientists, Russian nuclear scientists, and others to enter the United States and to devote their considerable talents, heretofore devoted to producing weapons of war,

to producing weapons and techniques of peace.

S. 2201, the bill before the House today, not only facilitates the entry of some of the most creative and talented scientists in the world with, again, broad and happy implications on their ability to sharpen our, the United States', competitive edge for the next century, but that, of course, would also interrupt any tendency they would have, born of economic need, for example, to accept employment in nations of the world which are seeking to develop or to expand a nuclear weapons' capability.

□ 1210

I might say, Mr. Speaker, this is not really a theoretical concern. In Senate testimony delivered earlier this year by Robert Gates, who is the Director of the Central Intelligence Agency, he indicated that the Soviet brain drain is one of the highest concerns to the agency itself.

Earlier this year Russian President Boris Yeltsin himself expressed concern to President Bush that nuclear scientists in need of jobs, after all, they have families that they have to support, could find irresistible job offers coming from nations which are seeking to either develop nuclear capability or expand it.

To the end of channeling all of this talent into peaceful and healthful pursuits, Mr. Speaker, in March the United States, Russia, Japan, Canada, and the nations of the European Community announced jointly the establishment of the International Science and Technology Center which will serve as a focal point for efforts to provide employment for these former Soviet scientists around the world in pursuits other than developing nuclear weapons and weapons of mass destruction.

Mr. Speaker, as the House will recall, in 1990 we substantially increased from 54,000 to 140,000 the visas which are permitted to be granted to immigrants who wish to enter the United States to work because they have certain kinds of job skills needed here.

S. 2201 does not increase that 140,000 yearly ceiling in order to accommodate these former Soviet scientists, but it does amend the 1990 act slightly to accommodate their special needs.

Specifically, S. 2201, Mr. Speaker, waives a legal requirement, which is in the 1990 law now, but only waives it for a 4-year period, not permanently, and only for a total of 750 Soviet scientists. However, S. 2201 would waive the requirement that currently requires such skilled workers seeking entry into the United States to have a firm job offer from a U.S. employer which has secured a labor certificate for that particular worker.

Visa numbers under S. 2201 will be taken from the second preference employment category, which has 40,000 of

the 120,000 employment-based numbers, and that 40,000 in the second preference is designated for persons of exceptional ability in the sciences, the arts, and business, the former Soviet scientists would fit into that category.

Again, Mr. Speaker, S. 2201 raises no quotas nor ceilings on foreign workers. It only opens the door slightly and somewhat facilitates for a limited period of time and for a limited number of former Soviet scientists their entry into the United States for the very laudable purpose of increasing our domestic economy, of providing a competitive edge for the United States as it enters the next century, and of course, not incidentally, of reducing the tendency toward proliferation of nuclear arms which could be developed by these selfsame people if they go to other countries.

Mr. Speaker, I urge the House to support passage of S. 2201.

Mr. Speaker, I reserve the balance of my time.

Mr. MOORHEAD. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in support of S. 2201. This legislation will make it substantially easier for up to 750 qualified scientists from the former Soviet Union to immigrate to the United States over a period of 4 years.

It accomplishes this end by directing the Attorney General to designate a class of scientists and engineers with expertise in the nuclear, chemical, biological, or other high technology, defense-related fields who will be treated as having exceptional ability in the sciences. Such a level of expertise is required in order to qualify for an immigrant visa under the employment-based, second preference visa category.

Another requirement for qualifying for a visa in the employment-based second preference is a job offer from an employer in the United States. S. 2201 waives this requirement.

S. 2201, as referred to the House, contained some provisions outside of the Judiciary Committee's jurisdiction. Those provisions have been stripped from the bill we are considering today.

This action was taken in order to move the bill quickly through the House; in no way does it alter the intent or effect of the bill.

This legislation is narrowly targeted to address a specific and highly unique situation. With the dissolution of the Soviet Union, many highly trained and qualified scientists are out of work or receiving very low pay. Some foreign governments have sought to entice them to their countries to develop or advance nuclear, chemical, or biological weapons industries.

This is not in the best interest of world stability and peace.

By providing some of these scientists with the alternative of immigrating to the United States, we hope to discour-

age the spread of weapons of mass destruction.

We can do this without cost to the American taxpayer and without displacing anyone who has been waiting to immigrate to the United States. The visa category under which these scientists would be admitted is current; in other words, it has no waiting list.

S. 2201 promotes a very desirable goal in a very reasonable manner. It is similar to a bill introduced in the House by Congressman BEREUTER and cosponsored by 19 of our colleagues from both sides of the aisle. I strongly urge its adoption by this Chamber.

Mr. Speaker, I yield such time as he may consume to the gentleman from Nebraska [Mr. BEREUTER], the author of the legislation.

Mr. BEREUTER. Mr. Speaker, this Member rises in strong support for S. 2201, legislation that facilitates the immigration of a limited number of scientists from the former Soviet Union who possess special skills and expertise.

I thank my distinguished colleague, the gentleman from California [Mr. MOORHEAD], for yielding me this time. I want to also recognize the distinguished junior Senator from Colorado [Mr. BROWN], who deserves special recognition for his leadership on this legislation.

The House leadership of both the Committee on the Judiciary and secondarily, the Committee on Foreign Affairs also deserves recognition for bringing this legislation to the floor today. The details of the legislation have just been ably described by the distinguished gentleman from Kentucky [Mr. MAZZOLI] and the distinguished gentleman from California [Mr. MOORHEAD]. As a member of the Committee on Foreign Affairs, this Member would emphasize that the collapse of the former Soviet Union and the end of the cold war have fundamentally changed our security considerations.

The United States and the former Soviet Republics are working together to destroy thousands of nuclear weapons. Nuclear-tipped missiles that were once pointed at every major city in the United States are now being warehoused while they await destruction. With the Freedom Support Act, which this body will consider in the next few days, we will be providing broad-ranging authority to help dismantle these weapons. Together, we are moving toward a positive new relationship that dramatically reduces the threat of nuclear, biological, or chemical holocaust.

Despite these positive developments, serious risks remain. The legislation that this body is considering today seeks to address one such threat.

For while the production lines have ceased and the former Soviet Republics are not adding to their arsenal of nu-

clear, chemical, and biological weapons, there are many highly trained Soviet scientists who have spent their careers designing and building these weapons. In the current chaos these scientists and engineers have been discarded by Moscow as an unnecessary and undesirable expense. These scientists, who had previously been the elite of Soviet society, are now unable to find work or even feed their families.

Mr. Speaker, Moscow may not be interested in these scientists, but there are rogue nations who are willing to pay handsomely for their skills. As reported in the press, the Yelstin government has uncovered evidence that Libyan agents have tried to enlist former Soviet nuclear scientists. Other Middle Eastern countries are reported to have made similar overtures. It is indeed ironic and troubling that, as the United States and the former Soviet Union rush to dismantle their nuclear arsenals, terrorist regimes are scrambling to acquire these weapons of mass destruction.

My colleagues, this is a very serious problem. If nothing is done, some of the most dangerous regimes in the world could leapfrog forward into the ranks of the nuclear powers. CIA Director Robert Gates has testified in open hearings that this is a troubling possibility that could seriously undermine national security.

S. 2201 seeks to address this problem. By permitting 750 former Soviet scientists to enter the United States, it provides these scientists with special skills an attractive alternative to working for Qadhafi or Saddam Hussein.

Mr. Speaker, this member felt so strongly about this matter that I introduced the House version of S. 2201. Other Members of the House have cosponsored my legislation. While this legislation is certainly not the total solution to this problem, it goes a long way toward alleviating this very dangerous threat to world peace. When combined with the Freedom Support Act, this body will have devised a comprehensive response to the threat of nuclear weapons proliferation emanating from the former Soviet Union.

Mr. Speaker, this Member urges adoption of S. 2201.

□ 1220

Mr. MOORHEAD. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

Mr. MAZZOLI. Mr. Speaker, I yield myself 30 seconds.

Mr. Speaker, I want to commend the gentleman from Nebraska [Mr. BEREUTER], who is an outstanding Member of this body on many subject areas, and certainly on this one particularly. So we want to thank him for his work on this bill. And I want to thank my friend from California [Mr. MOORHEAD],

who has helped me move the bill today. I urge support of S. 2201 and yield back the balance of my time.

Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

The SPEAKER pro tempore (Mr. MONTGOMERY). The question is on the motion offered by the gentleman from Kentucky [Mr. MAZZOLI] that the House suspend the rules and pass the Senate bill, S. 2201, as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the Senate bill, as amended, was passed.

The title of the Senate bill was amended so as to read: "An act to authorize the admission to the United States of certain scientists of the independent states of the former Soviet Union and the Baltic States as employment-based immigrants under the Immigration and Nationality Act."

A motion to reconsider was laid on the table.

COMMISSION ON INFORMATION TECHNOLOGY AND PAPERWORK REDUCTION

Mr. MARTINEZ. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 5851) to establish the Commission on Information Technology and Paperwork Reduction, as amended.

The Clerk read as follows:

H.R. 5851

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. FINDINGS AND PURPOSE.

(a) FINDINGS.—The Congress finds the following:

(1) Federal information reporting requirements continue to place an unprecedented paperwork burden upon private citizens, recipients of Federal assistance, businesses, government contractors and grantees, and State and local governments.

(2) A renewed effort is required to assure that the policy stated in subsection (b) is fully implemented.

(3) It is necessary to reexamine the policies and procedures of the Federal Government which have an impact on the paperwork burden, for the purpose of ascertaining what changes are necessary and desirable in its information policies and practices so as to eliminate unnecessary paperwork burdens and ensure that the Federal Government collects and maintains all information needed to set policy, implement laws, and operate programs.

(b) PURPOSE.—It is the policy of the Federal Government to minimize the information reporting burden, consistent with agency missions and the needs for information to set policy, implement laws, and operate programs.

SEC. 2. ESTABLISHMENT.

To accomplish the purpose set forth in section 1(b), there is hereby established the Commission on Information Technology and Paperwork Reduction (hereinafter in this Act referred to as the "Commission").

SEC. 3. FUNCTIONS.

(a) REVIEW OF FORMER COMMISSION.—The Commission shall study and review the prin-

cipal findings and recommendations of the Commission on Paperwork established by the Act of December 27, 1974 (Public Law 93-556) to determine which of those recommendations have been implemented and why any other of those recommendations have not been implemented.

(b) INVESTIGATE FEDERAL INFORMATION LAWS, ETC.—The Commission shall study and investigate statutes, policies, rules, regulations, procedures, and practices of the Federal Government relating to information gathering and processing, and the management and control of these information activities. The Commission shall consider—

(1) the nature and extent of current Federal collections of information from other public and private profit and not-for-profit entities;

(2) the effect of existing statutes on the information requirements of the Federal Government and authorities of existing Federal agencies to collect information on a timely basis;

(3) the nature and extent of management and control over the determination of Federal information needs and the choice of information gathering and processing methods;

(4) the nature and extent to which Federal agencies cooperate with State and local governments and private entities in collecting and processing information;

(5) the procedures used and the extent to which considerations of economy and efficiency impact Federal information activities, particularly as these matters relate to costs burdening the Federal Government and providers of information;

(6) the nature and extent of advances in information technology and its use in minimizing burden and maximizing utility in the collection, processing, and maintenance of information by the Government;

(7) the nature and extent to which information resources management responsibilities and the President's responsibility to review agency paperwork rulemaking should continue to be integrated in the Executive Office of the President;

(8) the nature and extent to which the Paperwork Reduction Act has been appropriately and effectively implemented by the Office of Management and Budget; and

(9) such other matters as the Commission determines affect Federal information resources management.

(c) ASCERTAIN CHANGES.—The Commission shall ascertain and describe what changes are possible and desirable in existing statutes, policies, rules, regulations, procedures, and practices relating to Federal information activities in order to—

(1) assure that necessary information is made available to Federal officials and those acting on behalf of Federal officials;

(2) minimize the burden imposed by Federal reporting requirements on private citizens, recipients of Federal assistance, businesses, government contractors and grantees, and State and local governments;

(3) provide that information held by the Federal Government is processed and maintained to maximize its usefulness to all Federal agencies and the public;

(4) reduce the duplication of information collected by the Federal Government and by State and local governments and other collectors of information; and

(5) reduce the costs of Federal paperwork.

(d) FINAL REPORT.—The Commission shall submit a final report to the Congress and the President within 2 years after the date of the first meeting of the Commission. The final report shall contain a review of its findings

and its recommendations for changes in statutes, policies, rules, regulations, procedures, and practices. The Commission may make such interim reports and recommendations as it deems advisable.

(e) ACTION BY OMB.—

(1) IN GENERAL.—Upon submission of the Commission's final report, the Director of the Office of Management and Budget, in coordination with the executive agencies, shall take action to—

(A) formulate the views of the executive agencies on the recommendations of the Commission;

(B) to the extent practicable within the limits of their authority and resources, carry out recommendations of the Commission in which the executive agencies concur; and

(C) propose legislation needed to carry out or to provide authority to carry out other recommendations of the Commission in which the executive agencies concur.

(2) REPORTS.—At least once every 6 months, the Director of the Office of Management and Budget shall report to the Congress and the President on the status of action taken or to be taken as provided in this subsection. The Director shall submit a final report to the Congress and the President not later than 1 year following the submission of the Commission's final report under subsection (d).

SEC. 4. MEMBERSHIP.

The Commission shall be composed of 19 members, as follows:

(1) 2 Members of the Senate, who shall not be members of the same political party, appointed by the President of the Senate.

(2) 2 Members of the House of Representatives, who shall not be members of the same political party, appointed by the Speaker of the House of Representatives.

(3) The Comptroller General of the United States.

(4) The Director of the Office of Management and Budget, the Secretary of the Treasury, and 1 other official or employee of the executive branch of the Federal Government appointed by the President of the United States.

(5) 2 members appointed by the President from among officials of State and local governments, who shall not be members of the same political party.

(6) 9 members appointed by the President from among persons in the private sector representing small business, labor, health care, education, environment, Federal Government procurement, information technology, libraries and public interest consumer organizations, no more than 5 of whom shall be of the same political party.

SEC. 5. COMPENSATION.

(a) IN GENERAL.—Except as provided in subsection (b), members of the Commission shall each receive as compensation the daily equivalent of the annual rate of basic pay in effect for level 4 of the Executive Schedule for each day (including travel time) during which they are engaged in the actual performance of duties vested in the Commission.

(b) FEDERAL OFFICIALS.—Members of the Commission who are Members of Congress or who are full-time officers or employees of the United States shall receive no additional compensation for their service on the Commission.

(c) TRAVEL EXPENSE.—While away from their homes or regular places of business in the performance of service for the Commission, members of the Commission shall be allowed travel expenses, including per diem in lieu of subsistence, in the same manner as a

person employed intermittently in the Government service is allowed such expenses under section 5703 of title 5, United States Code.

SEC. 6. POWERS.

(a) MEETINGS.—The Commission, or at its direction, any subcommittee or member thereof, may, for the purpose of carrying out the provisions of this Act, hold such hearings, sit and act at such times and places, take such testimony, receive such evidence and administer such oaths, as the Commission or such subcommittee or member may consider advisable. Such attendance of witnesses and the production of such evidence may be required from any place within the United States at any designated place of hearing within the United States. Any member of the Commission may administer oaths or affirmations to witnesses appearing before the Commission or before such subcommittee or member.

(b) PERSONNEL.—Members of the Commission shall elect a Chairman and Vice-Chairman from among its members. The Commission shall appoint an Executive Director who shall receive as compensation the equivalent of the basic pay in effect for Level 5 of the Executive Schedule. The Commission may appoint and fix the compensation of such other personnel as it deems advisable without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and such personnel may be paid without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates, at a rate not to exceed the rates provided in section 5376 of title 5, United States Code. In addition, the Commission may procure the services of experts and consultants in accordance with section 3109 of title 5, United States Code, at rates for individuals not to exceed the daily equivalent of the annual rate of basic pay in section 5376 of title 5, United States Code.

(c) CONTRACTS FOR STUDIES AND REPORTS.—The Commission may, subject to the availability of appropriations, negotiate and enter into contracts with private organizations and educational institutions to carry out such studies and prepare such reports as the Commission determines are necessary in order to carry out its duties.

SEC. 7. COOPERATION WITH FEDERAL AGENCIES.

(a) FURNISHING INFORMATION.—Each department, agency, and instrumentality of the Federal Government shall furnish to the Commission, upon request made by the Chairman, such data, reports, and other non-confidential information not otherwise prohibited by law as the Commission considers necessary to carry out its functions under this Act.

(b) SERVICES.—The head of each department or agency of the Federal Government may, upon request made by the Chairman or Vice Chairman of the Commission, provide to the Commission such services as the Commission requests on such basis, reimbursable or otherwise, as may be agreed between the department or agency and the Chairman or Vice Chairman of the Commission.

SEC. 8. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated to carry out this Act \$8,000,000.

SEC. 9. TERMINATION.

The Commission shall cease to exist 120 days after the submission of its final report under section 3.

SEC. 10. EFFECTIVE DATE.

This Act shall take effect January 21, 1993.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from

California [Mr. MARTINEZ] will be recognized for 20 minutes, and the gentleman from New York [Mr. HORTON] will be recognized for 20 minutes.

The Chair recognizes the gentleman from California [Mr. MARTINEZ].

Mr. MARTINEZ. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, it is with great pleasure that I join with my colleague, the distinguished gentleman from New York, in putting this legislation establishing a Commission on Information Technology and Paperwork Reduction before this body. The gentleman from New York has a long and distinguished career in the House, and in his capacity on the Committee on Government Operations he has worked tirelessly to see to it that the Government impose as little paperwork burden as necessary on taxpayers, small business, Government contractors, and State and local governments.

Mr. Speaker, I reserve the balance of my time.

Mr. HORTON. Mr. Speaker, I yield myself 7 minutes. I take this opportunity to rise in support of H.R. 5851, and also would like to express my appreciation to the gentleman from California [Mr. MARTINEZ] for his very kind remarks.

Mr. Speaker, one of the highlights of my career in the House of Representatives was the 2 years I spent as Chairman of the Federal Commission on Paperwork. Created in 1974 in response to public complaints about regulatory paperwork burdens, that Commission issued 36 reports and 770 recommendations—saving an estimated \$20 billion—to eliminate the much burdensome paperwork regulations imposed on all Americans and businesses. The Commission's final report was submitted on schedule in 1977 and \$1 million under budget.

The need for a Paperwork Reduction Commission in the 1970's was great. The total cost of Federal paperwork was huge. By 1974, the cost of this paperwork was estimated to exceed \$100 billion a year, much of it was necessary, some of it unnecessary. In any case, the cost of this regulatory burden was ultimately imposed on consumers through higher prices and higher taxes, lower productivity and fewer jobs.

There were also psychological costs—the anxiety, frustration, and anger that people experience when dealing with excessive paperwork and redtape.

The Commission also found that needed information sometimes was not being collected, was not reliable, or was not timely. All of which unnecessarily limits the success of Federal programs. In some instances, useless paperwork actually prevents programs from achieving their goals.

The major thrust of the Commission's findings was that Government policymakers should take into account all costs of paperwork, including citi-

zen frustration and administrative inefficiencies, as well as the substantial dollar cost. Information, we argued, should be managed as a resource, as we now manage money, personnel, and property.

I am proud to suggest that the work of that Commission resulted in permanent Government reforms. The Office of Information and Regulatory Affairs at the Office of Management and Budget was created to provide a check on the Federal Government's appetite to impose paperwork burdens. The work of the Commission also resulted in the enactment of the Paperwork Reduction Act and the elimination of countless forms at the Internal Revenue Service and the Department of Defense.

While the Paperwork Commission slowed the growth of Federal regulatory paperwork, such burdens did not, unfortunately, come to a stop. Federal paperwork burdens still consume an inordinate amount of time from the lives of average Americans and small businesses.

A report issued by the General Accounting Office in June 1989 reported that the Federal paperwork burden rose from 1.477 billion hours for fiscal year 1980 to 1.881 billion hours for fiscal year 1987, an increase of 27 percent. The reported burden went as low as 1.275 billion hours in fiscal year 1982 but reached a peak of 2.023 billion hours in fiscal year 1983. It declined for several years after that but has never fallen to its pre-1982 level. No reliable data is available for recent years. It becomes obvious that the Nation's employers are spending a stunning amount of money to meet paperwork requirements.

For that reason, my good friend and Government Operations Committee Chairman JOHN CONYERS, Jr., and I introduced legislation to create another paperwork Commission. This Commission, however, goes one step further by recognizing and promoting the use of advancements made in the area of information technology. It shall, therefore, be called the Commission on Information Technology and Paperwork Reduction. I believe that the need for such a Commission today is as great as it was in the 1970's.

The bill before the House today would establish a temporary Commission of experts to study Federal paperwork generated by various reporting requirements. It would be a mixed Commission of 19 members from Government and the private sector. The Government Commissioners would be drawn from Federal and State bodies. The Federal Government representatives would include membership of the House, the Senate, and the executive branch.

The Commission membership would be bipartisan, would elect its Chairman and Vice Chairman, and would hire an Executive Director and other necessary

staff. Three members of the Commission are specified in the statute. They include the Comptroller General of the United States, the Director of the Office of Management and Budget, and the Secretary of the Treasury.

Recognizing that the issues involved in Federal paperwork involve great detail and broad policies, the bill calls for a high-level study effort to determine what changes in Federal policy and procedures will be required to minimize Federal paperwork consistent with the Government's need for information to set policy and operate its lawful programs. The Commission would have a broad mandate to study and investigate "statutes, policies, rules, regulations, procedures, and practices of the Federal Government relating to information gathering and processing, and the management and control of these information activities." Its findings and recommendations must be reported to Congress and the President. The Commission would have 2 years following its first meeting to submit its report and would terminate 120 days thereafter.

Finding that "Federal information reporting requirements continue to place an unprecedented paperwork burden on private citizens, recipients of Federal assistance, businesses, governmental contractors, and State and local governments" and reaffirming a policy to minimize the reporting burden, the bill requires the Commission to consider several general areas for its investigation. The functions of the Commission are to study and investigate and not in any way to regulate or modify existing policies or statutory requirements.

In fulfilling its mandate, the Commission shall consider, *inter alia*, the nature and extent of advances in information technology and its use in minimizing burden and maximizing utility in the collection of information by the Government, and to which information resources management responsibilities and the President's responsibility to review agency paperwork rulemaking should continue to be integrated in the Executive Office of the President.

The Commission is given a broad mandate to look into all aspects of Federal information activities and all issues which impact upon Federal information activities. Its recommendations are to include both policy and organization changes aimed at bringing about immediate and continuing improvements. Not only the quantity of information is subject to study, but the quality of that information as well. The Congress, the President, and the agencies would then, of course, be free to accept, modify, or reject the recommendations of the Commission.

The broad mandate for the Commission study is not limited to the specified subject for consideration. The Commission's function is to make a

comprehensive study and meaningful recommendations to the Congress and the President for both administrative and legislative remedies to the great and growing paperwork burden.

The bill provides for the appropriation of such sums as may be necessary, but not more than the modest sum of \$8 million. Compare that to the estimated savings of \$20 billion resulting from the work of the 1970's Paperwork Reduction Commission.

I urge all of my colleagues to support this legislation for several reasons. First, the regulatory burden on Americans and small businesses is great. As I have already indicated, it has been estimated that American businesses must spend nearly \$1 trillion to comply with Federal paperwork requirements. It is never too late for the Federal Government to step back and look at the regulatory and paperwork burdens being imposed upon its citizens.

I remember one newspaper article, shortly after Hurricane Andrew hit southern Florida, which suggested that one of the reasons why the hurricane victims were slow in receiving much needed Government benefits was due to the paperwork requirements associated with the disaster relief programs. What a perfect example of harmful Government regulatory paperwork burdens. This Commission shall look at these paperwork burdens and overlapping regulations, and make recommendations to the President and Congress where unnecessary burdens can be eliminated.

Second, this Commission shall look at the recommendations of the 1970's Commission, determine what recommendations have not been implemented, and why, and endorse those recommendations which are still credible.

Most importantly, this new Commission shall look at the information technology developments which have occurred during the past two decades and determine whether the Federal Government is taking advantage of the newest technology available to collect, interpret, analyze, retrieve, and store information.

The Office of Management and Budget recently reported that the Federal Government will invest some \$25.4 billion on information technology in fiscal year 1993—an increase of over \$2.2 billion from fiscal year 1992. The question is not, however, how much are we spending. It seems to me to be more important to ask what we are spending our money on. This Commission represents the first governmentwide, non-partisan look at technology investment by the Federal Government.

As we all know, the advancements made in the information technology arena have been great during the past 20 years. The Commission's chief task will be to investigate ways that today's electronic technology can be used to

reduce the amount of paperwork produced or required by Government agencies. Today, the public is using technology that was not even thought of in the 1970's—from electronic funds transfer to electronically filed tax returns. These technics save paperwork and should be encouraged.

Finally, it is also my hope that this Commission will take a hard look at the ongoing debate over Presidential regulatory review. Although the President has a constitutional obligation to ensure that the Federal Government is effectively managed, critics of Presidential regulatory review have argued that the President has used such organizations as the Council on Competitiveness to undercut legislative intent when drafting regulations.

The forum for this debate, however, should not be the politically charged floor of the House during this election year. Let a Commission, appointed by Congress and the next President, debate the appropriate role for regulatory review in our constitutional system.

As the former Chairman of the Commission on Federal Paperwork, I strongly believe that the time to revisit the issue of regulatory paperwork burdens is today. I encourage all Members to lend their support to this effort.

NATIONAL ASSOCIATION OF STATE
AUDITORS, COMPTROLLERS AND
TREASURERS,

Lexington, KY, September 21, 1992.

Hon. FRANK HORTON,
Ranking Minority Member, Government Operations Committee, Washington, DC.

DEAR REPRESENTATIVE HORTON: As chairman of the National Association of State Auditors, Comptrollers and Treasurers' Committee on Intergovernmental Affairs, I am writing to commend you for introducing H.R. 5851, "Commission on Information Technology and Paperwork Reduction." NASACT's Intergovernmental Committee strongly supports your bill, and I have enclosed some member's letters for your files.

NASACT members understand the need to decrease the paperwork requirements of the federal government because they, like businesses and individuals, must cope with the burdens of federal red tape. A commission to examine and weed out unnecessary paperwork would go a long way toward improving federal government operations.

Further, our members have experienced firsthand the benefits governments can obtain through modernization and technological innovation. By making the fullest use possible of 1990s technology, as your bill requires, we believe the federal government would become more effective and efficient.

We strongly support your efforts in this area and stand ready to assist you in seeking passage of H.R. 5851. Please feel free to contact me at (302) 739-4241 or Julie Weinberg of the NASACT staff at (202) 624-5451 if we can be of assistance.

Sincerely,

R. THOMAS WAGNER, Jr.,

Chairman, Intergovernmental Committee,
and Auditor, State of Delaware.

COALITION FOR
GOVERNMENT PROCUREMENT,
Washington, DC, August 25, 1992.

Hon. FRANK HORTON,
Ranking Minority Member, House Government Operations Committee, Washington, DC.

DEAR CONGRESSMAN HORTON: The Coalition for Government Procurement strongly supports H.R. 5851 creating a "Commission on Information Technology and Paperwork Reduction". We appreciate the leadership that you and Congressman John Conyers have taken on this important issue.

The Coalition represents nearly 200 companies that sell commercial goods and services to the federal government. For these contractors alone, the paperwork they must submit in the normal course of conducting federal government business adds a tremendous administrative and time consumption burden not associated with doing business in the commercial marketplace. Companies must submit literally thousands of pages of information each year just to have and maintain a government contract. For some contractors this expense is undertaken without any guarantee of government business.

Dollar estimates of the cost of government paperwork on all American businesses run as high as \$1 trillion. This burden poses a significant obstacle to the competitiveness of American businesses which must compete at home and in the global marketplace. While the Coalition recognizes that the government must ensure that businesses are in compliance with existing federal regulations, it is important to note that many of these regulations are themselves being reviewed to assess the need for them and the affect they have on both the corporate community and the individual. A comprehensive review commission on paperwork, such as the model set forth in H.R. 5851, would be an important component to the regulatory review process in addition to serving as an independent body to review duplicative and outdated government reporting requirements.

The first Federal Commission on Paperwork in the 1970's found many unnecessary paperwork and data collection requirements and made hundreds of recommendations on how the government could reduce paperwork, eliminate red tape, increase competitiveness, and create jobs. The recommendations that were adopted by federal government agencies eliminated unnecessary reporting requirements and actually helped improve data collection and its use in monitoring compliance with federal regulations.

The paperwork and data collection requirements of today, however, are similar to the situation which existed in the early 1970's. In order to comply with the myriad of government regulations, companies must expend scarce time and personnel resources that could otherwise be spent on research and development of new products and markets. The Coalition believes that it is not in the best interest of anyone to hamper businesses with hefty government reporting burdens at a time when companies are facing strong international competition and a weak domestic economy.

The affect of extensive government paperwork requirements is especially acute on small businesses. Often, employees of small companies have several different duties which they must perform in order for their business to thrive. Saddling them with duplicative or unnecessary reporting requirements unfairly harms their chances to succeed or even survive.

The Coalition strongly supports provisions of H.R. 5851 which would require a paperwork

reduction committee to consider the positive affect breakthroughs in information technology could have on streamlining reporting requirements and reducing the time it takes to comply with federal reporting regulations. Automated information technology has made a quantum leap since the first commission was created in the 1970's. The commission called for in H.R. 5851 should undertake a thorough examination of existing and possible future technologies and study their applicability to helping improve the federal paperwork problem.

The Coalition for Government Procurement believes that the passage of H.R. 5851 will start a process which will lead to streamlined government regulations and an enhancement in the competitiveness of all American businesses both domestically and abroad. Again, we thank you for your leadership on this issue and look forward to working with you and Chairman Conyers toward its enactment.

Sincerely,

PAUL J. CAGGIANO,
President.

□ 1230

Mr. Speaker, I reserve the balance of my time.

Mr. MARTINEZ. Mr. Speaker, I yield such time as she may consume to my colleague, the gentlewoman from Colorado [Mrs. SCHROEDER].

Mrs. SCHROEDER. Mr. Speaker, I thank the gentleman for yielding me this time, and the gentleman from New York, I thank both of them for their hard work on this bill.

Mr. Speaker, I, like the gentleman from New York, remember the very long work and all the hard work that he did on the Paperwork Commission, and I remember at that time all of us talking about how trying to deal with this issue was like trying to wrestle with a 2-ton marshmallow. We wrestled, and now it seems like the marshmallow has become 4 tons. So it is an ever bigger job. It is very, very important that we get on with this. So I think it is important and critical that we do it.

Let me just make several points that I made before on this, that absolutely drives me nuts. No. 1, the Federal Government ought to have one form for every means-tested program. In this area where dollars are so precious, my State tells me that will give them 30-percent more money for services without raising one more penny in revenue.

Now, with computers and everything else, there is no reason that cannot be done.

We also ought to move for one form for CHAMPUS, Medicare, Medicaid, and all Federal insurance. That would take the 20- to 30-percent additional we pay in health care for administrative costs, and even it out, and as you both pointed out very well in your statements, that is also very critical for small business, because I think a lot of the forms and a lot of the things that they are required to do in dealing with the Federal Government have kept small business from being very active

in the contracting part. So there is so much paperwork reform that could be done, and I just hope that the Commission gets on with it and we use the computers and software and everything that the rest of the world is using.

I also think it would help us in fraud and enforcement and making these programs and Government much more efficient. So the time has come to join the 20th century, and the software and things that America gave to the world and forgot to use for its Government.

So I thank you all for working so hard on this.

Mr. HORTON. Mr. Speaker, I yield myself 2 minutes.

Mr. Speaker, I would like to take this occasion to thank the gentleman from Colorado for her remarks.

As a matter of fact, I would hope that, assuming this bill passes the House and Senate and is signed into law, that perhaps she might be able to give the time to serve on the Commission, because I think her advice and suggestions would be very helpful on the Commission. Having worked with her on the Committee on Post Office and Civil Service, as a matter of fact, to get through some very important legislation with regard to whistleblowers, I know of her expertise and willingness to assist in matters such as this.

I certainly agree with her that the areas that she spoke about are very important areas that should be covered by the new Paperwork Commission.

With that, I would like to express my appreciation to her and then urge that our colleagues again support the bill.

Mr. MARTINEZ. Mr. Speaker, I yield myself such time as I may consume. I thank the gentleman for his statement. It is once again time, 15 years after the first Paperwork Commission, that we have an outside body take an objective look at the unnecessary burdens being placed on individuals, businesses, and governments by paperwork and decide how best to reduce those unnecessary burdens.

All of us have stories and anecdotes from constituents who are red in the face because of Government paperwork. There is the senior citizen trying to get health benefits who can't even read the Medicare form to get reimbursements. Or the homeowner who went through Hurricane Andrew only to find out he faced an even greater whirlwind of paperwork from the FEMA forms asking him if he does or doesn't need relief. Or the small defense contractors who have decided to no longer compete for DOD contracts because of the paperwork burden.

We also want to ensure that this Commission does not throw out the baby with the bathwater. It is understandable that people want as little paperwork hassle as possible. But we need to remember the major benefits of Government paperwork. We would not be

able to collect taxes without paperwork. We could not keep track of whether companies doing business with the Government are ripping us off or not without paperwork. Paperwork is also a necessity to determine whether companies are complying with environmental regulations or workplace safety requirements. These are matters critical to protecting the public's health and safety—they are necessary paperwork burdens.

Finally, given the dramatic changes in information technology over the last 15 years, this Commission will examine how to use new technology to lessen Government paperwork. We need to replace paper with electronic submissions, wherever possible. Smart technology must be applied to the delivery of Government services. For instance, I have no doubt we can reduce the amount of time it takes to reimburse beneficiaries under the Social Security and veterans programs. We must be able to reduce health care paperwork by standardizing forms for health care reimbursement—thereby saving tens of billions of dollars.

There is money to be saved, time to be saved, and high blood pressure to be saved by taking a systematic look at what we are doing and applying new technology to lessen the paperwork burden.

Mr. Speaker, for all of these reasons, I urge the House to promptly pass this necessary legislation.

Mr. HORTON. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

Mr. MARTINEZ. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

The SPEAKER pro tempore (Mr. MONTGOMERY). The question is on the motion offered by the gentleman from California [Mr. MARTINEZ] that the House suspend the rules and pass the bill, H.R. 5851, as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. MARTINEZ. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks and include extraneous material on H.R. 5851, the bill just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

VACATION OF SPECIAL ORDERS

Mr. HORTON. Mr. Speaker, I ask unanimous consent that the special orders previously granted to the gen-

tleman from Ohio [Mr. WYLIE] and the gentleman from Ohio [Mr. MILLER] for Tuesday, September 22, be vacated.

The SPEAKER pro tempore (Mrs. SCHROEDER). Is there objection to the request of the gentleman from New York?

There was no objection.

□ 1240

OIL SALES TO IRAQ AND MORE DETAILS ON MATRIX-CHURCHILL CORP.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas [Mr. GONZALEZ] is recognized for 60 minutes.

Mr. GONZALEZ. Madam Speaker, the FBI raid on the Atlanta office of the BNL, the Banco Nazionale del Lavoro, the Italian Government-owned bank agency in Atlanta.

Now, that sounds like jargon, but actually it means a lot. There is a lot of difference in an agency. An agency is chartered by a State, in this case the State of Georgia Banking Commission. Therein is part of the problem because you have these foreign banking entities, most of whom are owned by their respective governments, and they are operating in the United States under State charters where the banking commissions of the States are just absolutely not able or set up to properly supervise.

Then you have the Federal Reserve Bank that is supposed to be the national overseer, and it is not.

So what the United States has, as I have said repeatedly, and the reason that motivates me and has since beginning 3 years ago, as a matter of fact, in this case, and in the awesome exposure of the national well-being and safety and soundness of our banking system.

Now, that raid by the FBI on August 4, 1989, led to the unraveling not only of one of the biggest banking scandals of all time, it also laid bare that the United States was carrying on a strange, secretive, clandestine relationship with Iraq, which was at that time and still is today one of the most notorious governments in the world. It was Iraq, after all, that had used chemical weapons not just against its Iranian enemies but against its own Kurdish minority.

But let me say here it ill behooves the West to try to single out Iraq and Saddam Hussein. They were the first ones to use poison gas in that area and against what the RAF or the British, in asking Winston Churchill's permission to use poison gas against what they called rebellious or recalcitrant Arabs, it was in Iraq, what we call Iraq in the 1920's, 1921-23.

So, when we start trying to get goodie-goodie about poison gas, remember it was our great Western culture in World War I that used that hor-

rible weapon, poison gas, to the destruction of many human lives on both sides of the contending forces.

Since then, even in the Iraq-Iran War it was charged that not only Iraq but Iran made use of that. Lord only knows. The only thing I do know is that we were aware and so were our intelligence, so-called, experts aware.

The Government of Iraq was and still is notorious for its abuse of human rights, its support of terrorism, its soaring military ambitions, and its aim to become the dominant military power in the Middle East. And that is based on a more complicated and complex line of events, which is not my interest to go into. That is over in another area of committee responsibility.

Madam Speaker, I have maintained and I have subscribed and I have adhered to one single-minded purpose, and that is the determination to eventually provide for the United States through the legislation that must be forthcoming from the Banking Committee, which I have the great honor to chair, the proper defense or protection against a continuation of these malpractices that are still going on in far vaster activities than even BNL or the so-called BCCI scandal.

Despite all this, the United States allowed Iraq to become the biggest customer of the Commodity Credit Corporation, a guaranteed program. Guaranteed by whom? The taxpayers, of course. That was financed largely through loans made by the BNL Atlanta office. Not only that, Iraq operated an extensive secret military procurement network in this country and in Europe which was also financed through the BNL Atlanta, not through CCC guarantees but through commercial loans.

This is the conclusion that the administration at first tried to use mostly through the person of the then Deputy Secretary of State Eagleburger, now the acting Secretary of State. The U.S. Government knew about the secret procurement network, and it made a decision, and that decision was to tolerate it, even after the BNL office was raided in 1989.

Consider this: The BNL Atlanta office was raided on August 4, 1989. The raid revealed that BNL was funding Matrix-Churchill Ltd. and Matrix-Churchill Corp., known Iraqi procurement fronts.

The raid also revealed that Iraq was funding several other firms, including TDG, TEG, and Euromac, that the CIA linked to Iraq's clandestine military procurement network.

Our intelligence knew all of this, and I have placed in the RECORD over the last 2 years, beginning with the hearing we first held in 1990, clear documentation showing that the intelligence facilities of our country had tried to protest. Our military intelligence in the Pentagon, that branch

that is in charge of defending the improper procurement of military-sensitive hardware, made it known.

The Secretary of State was advised, the President was advised, and I brought this out in the last 2 years.

So I am just repeating what is already in the RECORD. Yet, just a few months later, after warning its allies in Europe to be alert to Iraqi efforts to buy glass fiber technology, the United States Government—that is, this administration and the immediate past one—approved a Matrix-Churchill export license for the sale of the complex fiber factory to Iraq's largest armaments producer.

In fact, the Bush administration continued to approve the sale of military-useful technology to Iraq even when that technology was known to be destined for Iraqi arms factories. This policy was in place right up until Iraq invaded Kuwait.

□ 1250

On the basis and predicate of all this, banking resources, banking facilities, just like everything from military procurement to drug money laundering, all filters through this banking system.

The problem is that we are the only industrialized country that has no protective mechanism, no defense regulatory system. That is almost impossible to believe. I guess that is why my colleagues sometimes over the past 2 years have kind of shrugged me off. Some have said I am a Don Quixote. Well, my answer to that is I would rather be Don Quixote than Sancho Panza.

After the BNL raid, a declassified November 21, 1989, State Department memorandum on exports licensing states:

U.S. policy, as confirmed in National Security Directive 26, has been to improve relations with Iraq, including trade *** although U.S. policy precludes approval of Munitions Control licenses for Iraq, exports of dual use commodities for conventional military use may be approved.

The memo goes on to say that the Bush administration's export licensing policy made it easy for Iraq to obtain military useful technologies from the United States. The memo states licenses were approved despite clear warning signs:

1. A presumption by the Intelligence Community and others that the Iraqi government is interested in acquiring a nuclear explosives capability;
2. Evidence that Iraq is acquiring nuclear-related equipment and materials without regard for immediate need;
3. The fact that state enterprises *** are involved in both military and civilian projects;
4. Indications of at least some use of fronts for nuclear-related procurement; and
5. The difficulty in successfully demarcating other suppliers not to approve exports of dual-use equipment to state enterprises and other ostensibly non-nuclear end users.

There are other State Department memos—for my disturbed colleagues on the minority side—recently declassified, that show the administration was fully aware its policy helped to arm Saddam Hussein. A spring 1990 memo states:

An initial review of 73 cases in which licenses were granted *** from 1986-1989 shows that licenses were granted for equipment with dual or not clearly stated uses for export to probably proliferation-related end-users in Iraq.

Yet another 1990 State Department memo shows that the Bush administration knew that their export licensing policy toward Iraq was actually working to enhance Iraq's military capability. The spring 1990 memo, which addresses the urgent need to change the export licensing policy toward Iraq, states:

Formulating such a policy will be complicated because end-users which engage in legitimate non-nuclear and non-missile related end-users also procure commodities on behalf of Iraq's nuclear and missile programs. Because the Iraqi government network serves both nuclear and missile programs, one cannot distinguish between purchasers of nuclear concern and those of missile concern.

The secret United States policy to enhance Iraq's military capability was perfected by the administration's refusal to verify the end use of United States technology that arrived in Iraq—so-called post-installation checks. In fact, out of 771 export licenses approved for Iraq, only once did the United States Government check to ensure that the equipment was actually being used for civilian purposes.

In short, the policy was to let Iraq have United States equipment that could easily be used by or diverted to military applications, with a simple request that Saddam Hussein refrain from doing so. This happened even though the United States knew Saddam Hussein was making every effort to develop chemical and nuclear weapons as well as other advanced weapons.

Why did the Bush administration take such a dangerous and shortsighted approach to appeasing Saddam Hussein?

Even now, why? The administration has said:

Oh, well, we admit we made a mistake then. In retrospect it looks bad.

But even then—you mean it looked good then?

Today I will offer for the RECORD a startling—and my dear Republican friends should take note—declassified document, that sheds light on why the White House and State Department were willing to permit Iraq's nefarious procurement activities.

The President has repeatedly claimed that his policy toward Saddam Hussein was *** to encourage Saddam Hussein to join the family of nations." And he has publicly denounced those who suggest that the policy gave Iraq ac-

cess to "bombs or something of that nature."

But the truth, alas, is very different. The overriding and obvious motivation for engaging Saddam Hussein was access to cheap oil. In return, Iraq received the green light to purchase sophisticated United States military technology. National Security Directive-26 clearly states the Bush administration's motivation:

Access to Persian Gulf oil and the security of key friendly states in the area are vital to U.S. national security.

As a quid pro quo for access to Iraqi oil, the Bush administration made a commitment to facilitate the sale of U.S. goods and services to Iraq. Again, National Security Directive-26 states:

We should pursue, and seek to facilitate, opportunities for U.S. firms to participate in the reconstruction of Iraq's economy, particularly in the energy area * * *.

The problem was that Iraq was never satisfied with obtaining just civilian goods and services—Iraq's highest priority was ever increasing access to United States military technology.

During both the Reagan and Bush administrations, Iraq often pressed for greater access to United States technology and the State Department and White House supported such requests. For example, a 1987 memorandum related to then Vice President George Bush's meeting with Iraqi Ambassador Nizar Hamdoun states:

Commerce licenses for some high-tech U.S. exports to Iraq have been held up * * *. From the Iraqi perspective the long delays appear to be capricious. We (the State Department) agree with that assessment.

In 1988 the Commerce Department was compelled to approve licenses for Iraq despite Iraqi use of chemical weapons against its own people. An affidavit signed by the former head of the Commerce Department's Bureau of Export Administration states:

In the summer of 1988 a number of licenses were pending with regard to technology transfer to Iraq. I asked for official guidance with regard to what licensing policy would be to Iraq since by that time there was credible evidence of use of poison gas by the Iraqis * * *. I was told by the National Security Council that * * * I should clear the licenses that were pending for Iraq.

Those licenses and many others in later years were cleared over the objections of the Department of Defense and others in the administration that were concerned about proliferation. By the end of the Reagan administration Iraq clearly was a major proliferation threat. Instead of cutting back on military expenditures and rebuilding its civilian economy at the end of its bloody war with Iran, Iraq undertook what the CIA called, an ambitious military industrialization program designed to make it the preeminent military power in the Middle East.

This massive military industrialization program sent a clear warning sign to the administration, but such con-

cerns were overridden mainly because of Iraq's approach to the United States. Iraq used a carrot and stick approach to secure access to United States technology and credit. In return for continued access to technology and credit, Iraq granted United States oil companies favorable deals on purchases of Iraqi oil. The United States bought the bait and purchases of Iraqi oil skyrocketed during the Bush administration.

□ 1300

A recently declassified State Department memorandum to Secretary Baker, dated March 23, 1989, sheds light on that policy tradeoff. The memo was crafted to provide background information for the Secretary's meeting with the Iraqi Ambassador Nizar Hamdoun. The memo states:

Iraq would also like freer export licensing procedures for high tech.

The memorandum also states:

As part of its approach to the United States, Iraq has in the last year given favorable deals to U.S. oil companies; oil exports to the U.S. have soared to around 500,000 barrels per day.

Giving favorable oil deals to U.S. firms furthered Iraq's ultimate strategy of increasing its importance to the United States. The success of this plan, as measured by oil sales, is illustrated in a recently declassified CIA report dated April 1990 which states:

The U.S. purchase of Iraqi oil have jumped from about 80,000 barrels per day in 1985-1987 to 675,000 b/d so far in 1990—about 24 percent of Baghdad's total oil exports and eight percent of new U.S. oil imports.

By the time Iraq invaded Kuwait, United States purchases of Iraqi oil had grown to over 1.1 million barrels per day. The largest single purchaser was Exxon, but there were many others. Even the Department of Energy got into the act. The Department purchased over 3.4 million barrels of Iraqi oil only months before the gulf war.

Obviously, Iraq's approach of providing United States oil companies with favorable deals was well received in the Bush administration. During the same period that United States purchases of Iraqi oil skyrocketed, the Bush administration approved nearly 200 export licenses for Iraq. As I have shown in previous reports, many of those licenses were approved despite ample evidence showing the United States equipment was destined for known Iraqi weapons complexes.

The Bush administration clearly made the proverbial "deal with the devil," and, "Ah, there's the rub," I say to all my Republican friends that were trying to muzzle me, according to the papers last Friday. I say to them, "I'm not revealing anything of any kind of consequence to the national security. I think I can tell the difference. But what you all ought to worry about is how the Devil has infiltrated the CIA."

I long contended the Devil must have had a lot of his moles ensconced in those secret recesses over at Langley, and so I would ask, "What is the Devil?" The Prince of Darkness. Error. The Devil equals error. The Devil connotes mistakes and misunderstandings. It suggests the darkness of ignorance, the lapse of intelligence. It is intelligence gone wrong. And that Devil, he is a bad one.

So, Mr. Speaker, I suggest to my colleagues, "Don't try to exorcise me. Get your bell, book and candle, and troop all of you over to Langley, and exorcise the Devil out of that CIA."

The Bush administration, as I said, approved the sale of United States technology for Iraq, and, in return, United States oil companies received a discount when purchasing Iraqi oil.

Maybe this was natural. The President himself is an oil man and so are his closest advisers who were responsible for setting and implementing the United States policy toward Iraq. Secretary of State James Baker and Commerce Secretary Robert Mosbacher understand the oil business, and they understood the significance of the deal Iraq offered. Our main goal was access to cheap oil; Hussein wanted cash, credit, and military technology. Oil made it all possible, and remember, my colleagues, I placed in the RECORD the Executive order where President Bush about this time exonerated; that is, took out of the coverage of the conflict of interest proviso, to exempt 11 of his Cabinet and top adviser level. That means all these oil companies. So, he exempted them from any kind of conflict of interest, and I reported that several reports ago.

As part of its policy of appeasing Saddam Hussein, the United States Government turned a blind eye to many of the procurement activities of Iraq. In fact, the CIA had information showing that Matrix-Churchill Corp. in Cleveland, OH, was part of Iraq's military technology procurement network, yet Matrix-Churchill was allowed to gather United States technology for Iraq until 2 months after the invasion of Kuwait. I will now provide more background on the operations of Matrix-Churchill.

In previous reports I have indicated that BNL was one of the major sources of funds for Iraq's military industrialization program. Iraq's Ministry of Industry and Military Industrialization [MIMI], which was headed by Saddam Hussein's son-in-law, Hussein Kamil, eventually utilized over \$2 billion in BNL loans for its ambitious military industrialization effort.

Where do we come in here? I will tell my colleagues where. The taxpayers had to make up for that one with the 10 U.S. banks that BNL had used to sort to syndicate its exposure, and they have already been paid back, at least a billion. And where do my colleagues

think that money came from? Iraq? Of course not. BNL? Of course not.

BNL funds were used to procure equipment for weapons projects including the clandestine nuclear weapons program, missile projects including the short-range Ababel rocket, the Scud B modification project, and the long-range Condor II ballistic missile, Gerald Bull's supergun, and 155 mm and 210 mm self-propelled howitzers and other Iraqi weapons programs.

In order to procure sophisticated Western equipment, often clandestinely, MIMI created a complex web of worldwide procurement networks. Network front companies were often staffed with Iraqi intelligence agents who reported directly to Hussein Kamil and other MIMI officials.

The BNL-funded network operating in Europe and the United States was called the Al-Arabi Trading Co. network. Al Arabi was headquartered in Baghdad and appears to have been under the control of Iraq's main weapons complex, the Nassr State Enterprise for Mechanical Industries [NASSR]. NASSR was the key producer of Iraqi missiles and was heavily involved in clandestine nuclear and chemical weapons programs and some aerial bombs.

In 1987, Al-Arabi set up its main procurement front in London, a holding company called Technology Development Group or TDG. In 1987, TDG set up a firm called TMG Engineering [TMG] which was the vehicle used to purchase the venerable British machine tool maker Matrix-Churchill Ltd. and its Cleveland, OH, affiliate Matrix-Churchill Corp.

□ 1310

Mr. Speaker, Gus Matrix-Churchill Ltd. [MCL] was the United Kingdom's premier toolmaker and a major supplier of machine tools to arsenals around the world. It has been in existence since 1923 and its two plants in the United Kingdom employed over 700 people. Matrix-Churchill Corp. is the U.S. sales and service affiliate of MCL and it was established in Cleveland, OH, in 1967.

Matrix-Churchill machines are well known in the machine tool industry and in the armaments industry. Matrix-Churchill literature details its military significance:

Churchill is a major supplier of machines for munitions production in the United Kingdom and one of the leading suppliers worldwide with some 275 munitions installations.

Matrix-Churchill machines are in the arsenals of countries such as the United States, United Kingdom, Israel, Mexico, Pakistan, Taiwan, the Soviet Union, China, Argentina, Austria, Norway, India, Belgium, Netherlands, Australia, Egypt, Italy, and South Africa, among others. Matrix machines are used to make artillery shells, the body for artillery fuses, armor-piercing am-

munition and more. Matrix-Churchill records show that in 1988, over half of the machine tool deliveries were for munitions applications—the majority of them destined for Iraq.

Matrix-Churchill had contracts to provide machines for Iraq's armaments industry even before it was sold to the Iraqi front company TDG. Matrix had a contract called the ABC contract to supply machines to an Iraqi munitions factory called the Hutteen General Establishment [Hutteen]. These machines were used to produce 155 mm, and 122 mm, artillery shells.

A second contract, called the ABA contract, was to supply machines to be used in the production of a short-range rocket called the Ababel rocket which was manufactured at the Nassr State Enterprise for Mechanical Industries [NASSR]. Matrix-Churchill machines were also used in an artillery fuse factory at NASSR constructed by Carlos Cardoen. We will come back to Mr. Cardoen of Brazil later on.

The United Kingdom Government knew about the Iraq-related activities of Matrix-Churchill. The British Department of Trade and Industry [DTI] approved the deals. The director general of Hutteen even had a picture of himself and the British military attaché hanging in his office. That picture was taken during the British military attaché's tour of Hutteen.

Likewise, the Bush administration approved licenses for exports of U.S. equipment to Hutteen and other Iraqi weapons complexes even though intelligence reports verified they were armaments plants. Approval of these licenses helped enhance Iraq's military capability, contrary to the President's claim that the United States did not help arm Iraq.

Matrix-Churchill machines are currently used in the machine shops of the U.S. Army's Rock Island Arsenal in Illinois, and the Army's Anniston Depot locations in Avon, KY, and Bynum, AL. Matrix-Churchill machines are also used to produce 155 mm artillery shells for Canada's military through a firm called Ingersol in Quebec, Canada. A Mexican firm Metalmaq S.A.—Sociedad Anonimo, anonymously chartered—uses Matrix-Churchill machines to produce cartridges for 90 mm and 75 mm guns.

Matrix-Churchill machines are also sold to the U.S. nuclear energy industry. A firm called VITCO Nuclear in Cleveland makes nuts and bolts for valves and pumps that are used in U.S. nuclear powerplants. All of this made Matrix-Churchill an attractive company to purchase.

One of the first moves Iraq made when it took over MCC was to abandon its sales and service operations in favor of setting up a procurement and project management division to procure technology for Iraqi arms complexes like NASSR and Hutteen. The

procurement division received inquiries from Iraqi entities interested in purchasing United States equipment and services. The department identified sources of equipment and services, and then inspected, evaluated, and selected United States equipment for export to Iraq. Sometimes Matrix-Churchill would purchase the equipment directly from the United States firm and then ship it to Iraq. However, the Iraqi end-user usually purchased the goods directly from the United States firm. In these cases Matrix-Churchill demanded and often received a kickback from the United States firm of between 5 and 10 percent of the total value of the contract. These kickbacks were intended to cover the cost of operating the procurement department.

The procurement division of Matrix-Churchill, which was established in 1987, was headed by Sam Naman, who was most likely an Iraqi intelligence operative. During the 1980's, Sam Naman worked in the United Kingdom for the known Iraqi intelligence operative Safa Al Habobi, the front man who helped set up and operate the Al Arabi procurement network. Al Habobi was the owner of record of Matrix-Churchill Corp., and several other Iraqi front companies, in the United States.

The Iraqis also set up a project management division within Matrix-Churchill in 1988. The project management division was established to manage the activities of United States companies that won contracts to work in Iraq. The BNL-financed glass fiber factory at NASSR was the project management division's biggest project.

The director of the project management division, Abdul Qaddumi was not hired by the U.S. head of Matrix-Churchill. Instead, Qaddumi was hired at the direction of Safa Al Habobi. While Mr. Naman and Mr. Qaddumi had supposedly never met before working for Matrix-Churchill, on one occasion an American employee of MCC once overheard them talking about the previous project they had worked on together prior to arriving at Matrix-Churchill.

Apparently Sam and Abdul had previously worked together, contrary to what they told the American employees working at Matrix-Churchill. The Iraqis working at Matrix-Churchill often talked about sensitive topics in Arabic rather than English. In addition, much of the correspondence related to sensitive matters such as discussions with Safa Al Habobi about money were written in Arabic to conceal the contents from the Americans working at MCC.

Apparently Matrix-Churchill's owners had secrets to keep. In a July 10, 1989, memo Dr. Safa Al Habobi instructed employees of Matrix-Churchill to retain certain expense reports in Baghdad because they indicated that

the Baghdad branch of Matrix-Churchill was paying various expenses of Iraqi military establishments. The memo states:

There is some doubt here about the bills being presented in full (to Matrix-Churchill) as they are from Military companies that we feel, if they are translated by your accountants, cause you a few problems.

Obviously, Mr. Al Habobi was concerned about letting U.S. accountants see that Matrix-Churchill was paying the expenses of Iraqi military establishments.

In an eerie moment in July 1990, a month before the Iraqi invasion of Kuwait, Sam Naman asked several MCC employees how the United States might react if Iraq invaded Kuwait. Several days after Iraq invaded Kuwait, one of the American employees of MCC confronted Sam about his prescient prediction. Sam just shrugged.

Mysteriously, the Bush administration waited for 6 weeks after the invasion of Kuwait to shut down Matrix-Churchill.

□ 1320

Sam Naman was interviewed for a couple of hours by Customs agents and released. He was allowed to leave the country shortly thereafter and was never again questioned by U.S. law enforcement officials. When the Iraqi owners decided to abandon Matrix-Churchill Corp.'s domestic business in favor of procurement and project management for Iraqi projects, there was a need to secure new sources of revenue. On the procurement side, the source of funds was kickbacks was paid by United States firms that won multimillion dollar contracts for various projects in Iraq. Under this scheme a United States firm that won a contract in Iraq was required to pay MCC a kickback of between 5 and 10 percent of the contracts value.

Firms paying this type of kickback include Servaas, Inc., Indianapolis, IN; PRO-ECO Ltd., Ontario, Canada, and XYZ Options, Holt, AL.

Other firms that signed consulting agreements or finders fees arrangements with Al Arabi Trading Co., TDG, or Matrix-Churchill include Centrifugal Casting, Tulsa, OK; AFG Technologies, Bloomfield, MI; Arbonite, Doyletown, PA; Glass, Inc., International, Chino, CA; West Homestead Machinery, Homestead, PA; D&H Machinery, Toledo, OH; National Machinery, Tiffin, OH; Pacific Roller Die, Hayward, CA.

These firms may not have actually paid Matrix-Churchill because they were ultimately unsuccessful in bidding on contracts with Iraqi entities. But by signing consulting or fee agreements, these firms indicated that they were willing to make the payments if they won contracts.

Sam Naman's activities were not limited to the machine tool business.

On one occasion, he tried to trade Iraqi oil for a steel mill in Texas. An American oil company, Coastal Petroleum, was approached in 1988 to purchase \$50 million in Iraqi oil from Sam Naman. The proceeds were to be used to purchase the United States Steel's Baytown Works in Texas and ship the entire facility to Iraq. The deal fell through after congressional leaders and local union leaders opposed the sale because of the loss of jobs.

Matrix-Churchill's project management division received a \$14 million BNL loan to purchase the technology and equipment for the glass fiber factory for shipment to NASSR. The project management division also received a \$600,000 loan from BNL to meet its operating expenses. BNL loan's kept the operation afloat.

Sam Naman was apparently not a stranger to officials at the State Department. Travel records show that he visited the State Department in September 1989. The records indicate that Sam Naman visited the State Department on September 11 and 12, 1989, just weeks after the raid on BNL's operations in Atlanta—a curious coincidence indeed.

The military uses of Matrix-Churchill machines are the prime reason Iraq was interested in purchasing the company. Acquiring Matrix-Churchill gave Iraq access, not only to the machine tools, but also the computer programming, tooling, and other components needed to make a wide variety of munitions as well as other applications in aerospace and nuclear industries. The purchase could be construed as one big intelligence gathering operation for Iraq. I have long been concerned that the United States does not have the proper regulatory mechanisms in place to ensure a proper review of foreign acquisitions of sensitive U.S. industrial firms and U.S. banks.

Banks, I know, we do not. We have been trying to work at it, but instead of being helped, we have been obstructed. We have been impeded, all because of a fear of loss of face; for mistakes, they claim.

As I have shown, control of the Matrix-Churchill Corp. would provide a foreign government with information regarding hundreds of munitions facilities and dozens of munitions, aerospace, and nuclear applications.

How many exist today? Not Iraq, but other countries. It would be nice to know, would it not? Because once these investors buy into the company, say they get 30 percent of the stock, they have access to blueprints and everything else, as in the case of Matrix-Churchill. Once they get those blueprints, we have the evidence showing that they would ship them through the diplomatic pouch, which is not subject to inspection, and shipped back to Baghdad.

It is important that any change in control of such companies is brought to

the attention of U.S. officials so that national security concerns can be considered prior to any transfer of sensitive U.S. technology.

Now, one would say, as I have thought, I thought that was in place since the wars. Well, like the banking, I have discovered to my great aggravation and concern, it is not true. It is not in place.

In the case of the Iraqi purchase of Matrix-Churchill Corp., in November 1987, the United States did not review the transaction for national security purposes.

And here they are, trying to accuse me of exposing national security. Of all the most outlandish and most ridiculous, empty threats.

That fact is reflected in an August 24, 1992, Treasury Department response to my inquiry of July 15, 1992. I will place these letters in the RECORD.

The so-called Exon-Florio provisions were implemented in July 1989, but it remains to be seen how effective those regulations are in stopping the unwanted change in control of important U.S. firms. Nations that want to clandestinely develop weapons of mass destruction are continually developing more and more sophisticated procurement networks like the Al Arabi network. These efforts make it more difficult to tell if a foreign firm has gained illegal control of the U.S. form.

What is the Justice Department interested in? Is it interested in the legality of these procurements or illegality? No. They are interested in making sure that they give their blessings to these huge mergers and concentrations of banking resources, corporate resources. It has sanctioned the leveraged buyouts that have cost this country perhaps its whole economic future.

Even so, United States intelligence reports dating as far back as the summer of 1989, indicate our Government knew that Matrix-Churchill was an Iraqi front company engaged in procuring technology for Iraq's clandestine nuclear and missile programs. However, the Bush administration appeasement of Saddam Hussein apparently overrode any objections to these operations.

In short, these are the facts: First, the administration wanted to help Iraq; second, Iraq had cheap oil to offer and the United States was eager to buy—as shown by the amazing 50-percent growth in Iraqi oil sales to the United States in the 2 years before the gulf war; third, the Bush administration was so eager to please Saddam Hussein that it deliberately tolerated Iraq's military procurement activities in the United States; fourth, companies like Matrix-Churchill were used by Iraq to provide everything from steel mills to nuclear weapons useful technology—right up to the day the gulf war started; and fifth, even after the BNL raid made it impossible to hide

Iraq's procurement activities in this country, the Bush administration did nothing to stop Iraq. They even showed support by having the Department of Energy purchase Iraqi oil just a few months before our Government went to war against Iraq. Favorable oil deals made it all possible.

Mr. Speaker, I include for the RECORD the correspondence to which I referred:

MARCH 23, 1989.

To: The Secretary.

From: NEA—Paul J. Hare, Acting.

Subject: Meeting with Iraqi Under Secretary Nizar Hamdun March 24, 1989 at 2:00 PM in your office.

I. PURPOSE

To express our interest in broadening U.S.-Iraq ties, stressing the importance we place on chemical weapons and on settling claims for Iraq's attack on the USS Stark.

II. KEY POINTS

Hamdun is a unique channel to Iraq's President Saddam Hussein, and points you make will be heard at the highest levels in Iraq. Hamdun will stress Iraq's importance, and call for closer relations unaffected by what he considers "outside irritations": chemical weapons, etc. Iraq fears we will improve relations with Iran at Iraq's expense.

Bilateral relations are thorny but important. Iraq is the strongest state in a region vital to our interests, with a powerful army and oil reserves second only to the Saudis.

We reestablished relations in 1984 after a break in 1967. We cooperated closely in trying to end the Gulf War through UN Security Council Resolution 598.

During the war, Iraq drew closer to our friends among the Arab moderates, getting financial support from Saudi Arabia and Kuwait. Iraq has now concluded a formal economic alliance with Egypt, Jordan, and North Yemen in the Arab Cooperation Council.

Since we took Iraq off the terrorism list in 1983, Iraq has broken with Abu Nidal and expelled Colonel Hawari, although it still allows entry to Abu Abbas (who directed the Achille Lauro hijacking) and member of Col. Hawari's group.

But Iraq retains its heavy-handed approach to foreign affairs—it has received a border dispute with Kuwait and its meddling in Lebanon—and is working hard at chemical and biological weapons and new missiles.

May 17 will mark the second anniversary of the Iraqi attack on the USS Stark. At the time, Iraq's President accepted responsibility and promised compensation.

Mike Armacost presented the first set of claims, for wrongful death of 37 sailors, on April 4, 1988 (totalling about \$34 million). The Iraqi MFA's Legal Adviser went over the claims in detail here in July, 1988, but has made no substantive response since then.

Judge Sofaer is in Baghdad, at Iraq's invitation, to discuss the claims further. He met with Hamdun before leaving and said we will soon present personal injury claims (about \$1.5 million) and USG claims of \$93 million (mostly damage to the Stark), but emphasized we have no room for negotiation on the death claims.

Sofaer called from Baghdad to report that an initial session March 22 went very well, and he hopes he can resolve the issue during this trip.

With this information in hand, Bob Kimmitt saw Hamdun March 22, and stressed it is important to settle these sensitive

claims to remove a stumbling block from the relationship.

Following CW use in the war with Iran, Iraq used CW as part of a campaign to suppress a Kurdish rebellion last August.

We condemned unlawful CW use, and Congress began considering sanctions legislation.

Responding to our diplomatic approach and the threat of sanctions, Iraq stated adherence to international law on CW, participated constructively in the Paris Conference, and began to participate in the Conference on Disarmament talks in Geneva.

Sanctions legislation fell by the wayside last term in the rush to adjourn, despite overwhelming support. Bills introduced this session would apply tough trade sanctions for future unlawful CW use and punish companies contributing to certain CW programs, Iraq's among them.

Iraq has asked us to push Congress to delete all references to Iraq in the bills. We have explained that it is unrealistic to expect Congress to do so.

The ceasefire begun with Iran last August 20 is still holding, but UN-sponsored peace talks have produced few results. Working-level talks continue in New York, and there will probably be a ministerial meeting in mid-April.

Iraq wants to claim full sovereignty over the Shatt al-Arab waterway; Iran refuses to allow reopening the Shatt until Iraq gives up its claims, and is holding 70,000 Iraqi POWs until Iraq withdraws to its borders.

Commercial relations are good, but further growth is constrained by Iraq's debt crunch. Iraq is now our number two trading partner in the Arab world, but a commercial agreement we signed in 1987 remains unimplemented.

Iraq imports over \$1 billion per year in U.S. agricultural products, financed with USDA CCC credit insurance.

But industrial trade lags. Iraq would like Exim to grant medium-term coverage in addition to its small short-term facility.

Iraq would also like freer export licensing procedure for high tech. (Applications are often held up in commerce or DoD, usually on grounds that dual-use technology could add to Iraq's military capabilities.)

The powerful Minister of Industry (Saddam's son-in-law) wanted to buy a closed USX steel plant in Baytown, TX. USX froze the deal when Congress took up union objections.

As part of its approach to the U.S., Iraq has in the last year given favorable deals to U.S. oil companies; oil exports to the U.S. have soared to around 500,000 barrels per day.

III. PARTICIPANTS

U.S.: The Secretary, Policy Planning Staff, Director Dennis Ross. NEA DAS A. Peter Burleigh. S/P Staffer Aaron Miller. NEA Notetaker.

Iraq: Under Secretary Nizar Hamdun, Ambassador Abdul-Amir Al-Anbari, Khalid Mohammad, First Secretary (Notetaker).

IV. PRESS COVERAGE

Photo Op.

POINTS TO MAKE

BILATERAL RELATIONS

We are pleased that we have broadened bilateral relations with Iraq since we resumed them in 1984, and we want to continue to develop ties.

As the President said in his message to President Saddam Hussein, we attach great importance to our relations with Iraq.

II. STARK CLAIMS

But it is critical for our bilateral relations to settle the claims arising from Iraq's attack on the USS Stark as soon as possible.

Overcoming this obstacle will give our relationship new strength in the postwar period.

I hope we will be able to settle the first set of claims, for the deaths of our 37 sailors, during Judge Sofaer's trip to Iraq.

III. CHEMICAL WEAPONS

We welcome Iraq's participation in the Conference on Disarmament in Geneva.

As a country that has used chemical weapons in the recent past, Iraq's reputation in the world will be well served by constructive participation in efforts to ban these weapons.

As you know, Iraq's past use of chemical weapons is a very sensitive topic in the U.S. Administration and Congress.

IV. PEACE TALKS

Although we do not get involved in details of the peace negotiations, we are interested in a comprehensive, lasting settlement that will promote stability and reduce tensions in the region.

What is your assessment of progress made to date, and prospects for the next round of ministerial talks?

TERRORISM

We are disturbed by the continued presence in Iraq of Abu Abbas, who masterminded the murder of a U.S. citizen in cold blood. We also understand Colonel Hawari—head of Fatah's Special Operations section—still travels to Baghdad.

We ask again that you deny Abu Abbas and Colonel Hawari access to your country. The fact that Abu Abbas is a member of the PLO Executive Committee damages the Palestinian cause.

VI. TRADE (IF RAISED)

We are committed to expansion of trade and U.S. exports around the world.

We believe reconstruction and development projects in Iraq will present significant opportunities for U.S. exporters.

IMPORTS FROM IRAQ

(In thousands of barrels)

Company	Commodity	1988	1989	1990
Amoco Corp	Crude oil	2,434	500	8,716
Ashtland Oil, Inc.	do	10,124	11,687	7,372
Astrolene Corp	Distillate fuel	0	0	188
Atlantic petro Corp	Crude oil	0	2,775	0
Atlantic Richfield Co	do	5,568	0	0
Bayoil USA	do	0	450	5,061
BP Amer., Inc.	do	0	273	0
Chevron Corp	do	8,580	6,920	20,471
Citgo Petro Corp	do	0	461	0
Clark Oil Trdg Co	do	2,018	0	0
Coastal Corp The	do	12,490	16,720	17,252
Exxon Corp	do	14,234	46,379	35,913
Exxon Corp	Unfinished oils	0	2,380	1,326
Fina Oil & Chem Co	Crude oil	9,351	14,571	21,074
Horsham Corp	do	0	0	499
Kerr-McGee Corp	Unfinished oils	123	150	106
Koch Indus., Inc.	Crude oil	522	4,378	6,334
Lyondell Petrochem Co	do	0	3,998	16,328
Mobil Oil Corp	do	1,647	6,288	8,458
National Coop Refy	do	424	2,328	0
Assn.				
Phibro Distbs Corp	do	1,005	5,975	0
Phillips Petro Co	do	1,051	390	670
Shell Oil Co	do	11,945	22,218	21,539
Solomon, Inc.	do	0	0	4,022
Sun Co., Inc.	do	0	2,269	2,874
Texaco, Inc.	do	34,594	0	0
Unocal Corp	do	0	0	644
US Department of En- ergy	do	0	0	3,403
US Steel Corp	do	9,528	12,436	6,855
Valero Energy Corp	Unfinished oils	807	475	0
Total	do	126,445	164,022	189,105

Source: U.S. Department of Energy.

THE WHITE HOUSE,
Washington, DC, August 8, 1990.

MEMORANDUM FOR THE ATTORNEY GENERAL

From: The President.

Subject: Conflict-of-Interest Waiver.

I am writing to notify you of a conflict-of-interest determination I have reached under 18 U.S.C. 208(b)(1) in connection with the current Middle East crisis.

As you know, vital United States and world interests are at stake in the Middle East as a result of the Iraqi invasion of Kuwait. As Commander in Chief and the Nation's Chief Executive, I am confronting decisions of immense import with lasting consequences for the nation and the world. The United States, along with other world powers, has strongly condemned the Iraqi invasion, and we have instituted a range of measures, including a freeze on Iraqi and Kuwaiti assets in this country among other economic sanctions.

We now face a series of decisions, large and small, about policies and military measures required to defend United States interests and counter this act of blatant aggression. I expect that these decisions will be among the most difficult that I ever face as President. As I confront the demanding choices ahead, it is essential that I be able to call freely upon my advisors for counsel and assistance.

I am aware that under Federal conflict-of-interest law (18 U.S.C. 208), an Executive branch employee cannot participate personally and substantially in a particular matter, in which, to the employee's knowledge, he has or is deemed to have a financial interest. I understand that the Department of Justice has historically interpreted this statute to mean that an individual cannot personally and substantially participate in a particular matter if the resolution of the matter would have a direct and predictable effect on such financial interests. An individual's appointing official is authorized to waive this prohibition based upon a determination that the individual's financial interests are "not so substantial as to be deemed likely to affect the integrity of the services which the Government may expect" from the employee.

It is not clear which, if any, of the decisions ahead would constitute "particular matters" that would have a "direct and predictable effect" on the financial interests of advisors on whom I will need to rely. Based on the consultations between our staffs over the past week, I have been advised that most of the high-level decisions and actions ahead will be at a level of generality so broad as not to implicate Federal conflict-of-interest law.

Nonetheless, in the interest of caution and prudence, I believe that under current circumstances, Cabinet members and other key foreign policy advisors should not be needlessly restricted in assisting me in shaping the United States response to the Iraqi offensive or be left in doubt about when they can and cannot assist me. I have therefore directed my Counsel, C. Boyden Gray, to review the financial interests of those of my foreign policy advisors for whom I have not delegated the waiver authority vested in me under 18 U.S.C. 208(b). In particular, I have had him conduct a special review of the financial interests held by—

The Assistant to the President for National Security;

The Assistant to the President and Deputy for National Security;

The Attorney General;

The Chief of Staff to the President;

The Director of Central Intelligence;

The Secretary of Commerce;

The Secretary of Defense;

The Secretary of Energy;

The Secretary of State; and

The Secretary of Treasury.

I have also had the Department of Justice review the financial interests of the Counsel to the President.

I have now been briefed on the financial interests of these individuals. Some of the individuals in question hold only interests such as mutual funds that under no foreseeable circumstances could be construed to implicate any prohibition under conflict-of-interest law. In other instances, individuals have quite substantial financial interests in industries that may be affected (though not necessarily in a "direct" or "predictable" way) by the resolution of situations that may arise.

In light of current world events and the significance of our response to the nation's security, it is my judgment that none of these individuals' financial interests are "so substantial as to be deemed likely to affect the integrity of the services which the Government may expect" from him in all aspects of the current effort to develop and implement a United States and international response to Iraq's occupation of Kuwait. I have been counseled that the Department of Justice, in interpreting conflict-of-interest waiver authority, has said that the appointing official should consider the size of the financial interest(s) and the nature of the services the individual is called upon to provide.

In my judgment, the nature of the current crisis and the gravity of the measures under consideration by the United States are such that even vast financial interests could not be deemed likely to affect the integrity of the services the Government may expect from its chief foreign policy officers. Maintaining the highest standards of integrity in the Government has been a paramount priority for me throughout the Administration. In my view, national security considerations at stake in the current situation are so great as to diminish to insignificance the likelihood that individual employees could be swayed by their private interests.

On this basis, I hereby determine that the financial interests held by the individuals indicated above are not so substantial as to be deemed likely to affect the integrity of the services that the Government may expect from them in the course of current United States policy-making, discussion, decisions, and actions, in response to the Iraqi invasion of Kuwait. This waiver shall remain in effect until further notice.

GEORGE BUSH.

U.S. DEPARTMENT OF STATE,
Washington, DC, August 8, 1990.

Mr. KIMMITT,
Legal counsel.

BOB: Amy Schwartz of Boyden's office informed me that the President signed a waiver this afternoon for eleven Cabinet officers and cabinet level officials, including Secretary Baker, that authorized them to participate in "current United States policy-making, discussions, decisions, and actions in response to the Iraqi invasion of Kuwait." Schwartz indicates that this will allow the Secretary Baker to participate in all foreign policy questions related to the Kuwait crisis, even those directly involving oil production and prices. In addition, OLC is expected to issue an opinion in the next day or so narrowing from previous interpretations the

definition of "particular matter", the touchstone for potential conflict analysis.

Because of the breadth and sensitivity of the waiver, the White House is currently unwilling to distribute copies to affected individuals. We are working to reverse this position so that we can provide a copy to the Secretary.

THE WHITE HOUSE,

Washington, DC, November 20, 1991.

Memorandum for the Secretary of State, the Secretary of Treasury, the Secretary of Commerce, the Secretary of Defense, the Secretary of Energy, the Secretary of Transportation, the Attorney General-designate, the director of Central Intelligence, the Chief of Staff to the President, the Assistant to the President for National Security Affairs, the Director of the Office of Management and Budget, the Counsel to the President, and the Assistant to the President and Press Secretary.

Subject: Conflict-of-Interest Waiver.

I am writing to notify you of a conflict-of-interest determination I have reached under 18 U.S.C. 208(b) in connection with the indictments recently returned alleging the criminal responsibility of two Libyan nationals for the December 1988 bombing of Pan Am 103, over Lockerbie, Scotland.

As you know, terrorism poses a grave threat to peace and stability in the world as well as to the lives and safety of American citizens. On Thursday, November 14, 1991, Scottish authorities and the U.S. Department of Justice charged two Libyan officials with carrying out the December 1988 bombing of Pan Am Flight 103 over Lockerbie, Scotland. All 259 people aboard the aircraft and 11 people on the ground were killed. This monstrous act of the Libyan Government is only one example of Libyan state-sponsored terrorism. We have seen a consistent pattern of Libyan-inspired terrorism that dates almost from the beginning of Colonel Qadhafi's leadership and continues to the present. We now face a series of decisions on steps the international community should take to ensure that a major perpetrator of state-sponsored terrorism—Libya—is both punished and isolated. As I consider the options, it is essential that I be able to call freely upon my senior advisors for counsel and assistance.

I am aware that under Federal conflict-of-interest law (18 U.S.C. 208), an Executive branch employee cannot participate personally and substantially as a Government employee in a particular matter, in which, to the employee's knowledge, he has or is deemed to have a financial interest. I understand that the Department of Justice has historically interpreted this statute to mean that an individual cannot personally and substantially participate in a particular matter if the resolution of the matter would have a direct and predictable effect on such financial interests. An individual's appointing official is authorized to waive this prohibition based upon a determination that the individual's financial interests are "not so substantial as to be deemed likely to affect the integrity of the services which the Government may expect" from the employee.

It is not clear which, if any, of the decisions ahead would constitute "particular matters" or whether any such "particular matters" would have a "direct and predictable effect" on the financial interests of advisors on whom I will need to rely. I have been advised that most of the high-level decisions and actions ahead will be at a level of

generality so broad as not to implicate Federal conflict-of-interest law.

Nonetheless, in the interest of caution and prudence, I believe that under current circumstances, Cabinet members and other key advisors should not be needlessly restricted in assisting me in shaping the United States response and the response of the international community to Libyan support for terrorism or be left in doubt about when they may and may not assist me. My Counsel, C. Boyden Gray, has reviewed your financial interests as reflected in your most recent public financial disclosure report, and as updated in conversations between a member of his staff and your ethics official. Mr. Gray's financial interests have been reviewed by the Counsel to the Vice President.

I have now been briefed on your financial interests. Some of you hold only interests such as mutual funds that under no foreseeable circumstances could be construed to implicate any prohibition under conflict-of-interest law. Some of you have substantial financial interests in industries that may be affected (though not necessarily in a "direct" or "predictable" way) by the resolution of situations (though not necessarily "particular matters") that may arise.

In light of the continuing threat to the peace and stability of the world posed by Libyan state-sponsored terrorism and the significance of our response to that threat, it is my judgment that, in each case, your financial interests are not "so substantial as to be deemed likely to affect the integrity of the services which the Government may expect" from you in all aspects of the current effort to develop and implement a United States and international response. I have considered the size of your financial interest(s) and the nature of the official services you may be called upon to provide.

In my judgment, the nature of the current situation and the gravity of the measures under consideration by the United States are such that even the substantial financial interests held by some of you could not be deemed likely to affect the integrity of the services the Government may expect from its chief foreign policy officers. Maintaining the highest standards of integrity in the Government has been a paramount priority for me throughout the Administration. In my view, national security considerations at stake in the current situation are so great as to render insignificant the likelihood that any of you could be swayed by your private interests.

On this basis, I hereby determine that the financial interests held by each of you, if any, are not so substantial as to be deemed likely to affect the integrity of the services that the Government may expect from you in the course of current United States policy-making, discussion, decisions, and actions, in response to the continuing threat of Libyan state-sponsored terrorism. This waiver shall remain in effect until further notice.

GEORGE BUSH.

WASHINGTON, DC,
January 13, 1989.

Judge ABRAHAM D. SOFAER,
Legal Adviser, U.S. Department of State, Washington, DC.

DEAR JUDGE SOFAER: This is to advise you that, if I am nominated, confirmed and appointed as Secretary of State, I will either recuse myself from participation in, or seek a waiver under 18 USC 208(b) allowing my participation in, any particular matter involving a company or other entity (or any of

its parents or subsidiaries) in which I, my spouse or minor child has a financial interest.

If I am nominated, confirmed and appointed, I will provide the Deputy Secretary, the Executive Secretary and other appropriate officials with a list of entities subject to my recusal commitment and instruct them in writing to handle all official matters concerning such entities. I will update this list each year at the time that I complete my annual Executive Personnel Financial Disclosure Report, and more frequently if changes in my financial holdings so warrant.

Sincerely,

JAMES A. BAKER III.

THE SECRETARY OF STATE.

Washington, DC, January 25, 1989.

Memorandum for: Under Secretary for Political Affairs, Under Secretary for Management, Legal Advisor, Assistant Secretary for Economic and Business Affairs, and Executive Secretary.

From: Secretary Baker.

Subject: Recusal from participation.

This is to notify each of you that I am recusing myself, and will decline to participate in, any particular matter in which my former firm, Andrews & Kurth, is a formal party or in which it has a direct and specific financial interest, such as representing a party in such a particular matter. No such matter should be presented to me for decision, approval or disapproval, recommendation, advice, or other official action. All such matters should be directed to the Under Secretary for Political Affairs, or his delegate, who has full authority to act without referring the matter to me.

In addition, I will recuse myself from any particular matter in which I, my wife, or my dependent daughter has a financial interest. I have attached a list of companies and other entities in which one of us currently holds a financial interest. Again, all such matters should be directed to the Under Secretary for Political Affairs or his delegate.

Finally, I will recuse myself from participation, on a case by case basis, in any particular matter in which, in my judgment, it is desirable for me to do so in order to avoid the possible appearance of impropriety, despite the lack of any actual conflict of interest.

Once a Deputy Secretary has taken office, all matters on which I am recused shall thereafter be directed to the Deputy Secretary or his delegate.

I believe that this general policy, to which I am committed, will avoid not only the occurrence of any actual conflict of interest, but even the appearance of any conflict between my duties as an officer of the United States Government and my personal financial interests.

HOLDINGS OF JAMES A. BAKER, III, AND HIS IMMEDIATE FAMILY, JANUARY 25, 1989
CORPORATIONS, INCLUDING AFFILIATES AND SUBSIDIARIES.

Amoco.
Chemical New York Corporation and National Loan Bank.
Commonwealth Edison.
Exxon Corporation.
Houston Industries, Inc.
MCorp.
Salomon, Inc.
Schlumberger, Ltd.
Texaco, Inc.
Texas American Bancshares, Inc.
Time, Inc.

United Technologies Corp.
Wainoco.

LIMITED PARTNERSHIPS, CLOSELY HELD CORPORATIONS, OTHER ENTITIES

Frio County Ranch.
Garrett Ranch, Inc.
Property Capital Trust SBI.
Residential Resources Mortgage Investments Corp.
Trinity Petroleum Trust.
Sublette County Ranch.
Wilson Industries.
Bonnie Sue (Texas and Louisiana Limited Partnership).
Lady Thelma (Texas and Louisiana Limited Partnership).
Alice Jean (Texas and Louisiana Limited Partnership).
Hollywood 1004-7, 3009-14, 3003-6, 3007-8, 1008-14 and 3015 (Texas and Louisiana Limited Partnerships).
Hollywood Chem. 107 and 108 (Texas and Louisiana Limited Partnerships).
Hollywood LPG No. 2 (Texas and Louisiana Limited Partnership).
Lana Louise (Texas and Louisiana Limited Partnership).
Petro-Quest Associates 1980-1 (Pennsylvania Limited Partnership).
Hope No. 1, 2, 3 and 4 wells, Lewis County, West Virginia.
Claude Owens lease, Pecos, County, Texas.

THE WHITE HOUSE,
Washington, DC, March 2, 1992.

MEMORANDUM FOR THE SECRETARY OF COMMERCE

From: The President.

Subject: Conflict-of-interest waiver.

I am writing to notify you of two conflict-of-interest determinations I have reached under 18 U.S.C. 208(b)(1) in connection with the Middle East crisis resulting from the Iraqi invasion of Kuwait in August 1990 and the indictments returned last year alleging the criminal responsibility of Libyan nationals for the December 1988 bombing of Pan Am 103 over Lockerbie, Scotland. I wish to extend to you, in your capacity as Secretary of Commerce, the same protection I extended to your predecessor and to other senior advisors to participate fully in the consideration of policy options to respond to these two international incidents.

I have reviewed your financial interests in the course of considering your February 28, 1992 request for a waiver made in connection with your appointment, and which I have approved today. Based on that review, and for the reasons set forth in my memoranda dated August 8, 1990, and November 20, 1991 (copies of which are attached), it is my judgment that your financial interests are not so substantial as to be deemed likely to affect the integrity of the services which the Government may expect from you in the continuing development and implementation of United States Government policy in these two matters. I have considered the size of your financial interests and the nature of the official services you may be called upon to provide. In my view, national security considerations at stake in these matters are so great as to render insignificant the likelihood that you could be swayed by your private interests.

Therefore, I hereby grant you a waiver under Section 208(b)(1), for the same matters and to the same extent addressed in the above-cited memoranda. This waiver shall remain in effect until further notice.

GEORGE BUSH.

COMMITTEE ON BANKING, FINANCE
AND URBAN AFFAIRS,
Washington, DC, July 15, 1992.

Hon. NICHOLAS F. BRADY,
Secretary of the Treasury, Washington, DC.

DEAR MR. SECRETARY: The Committee on Banking, Finance and Urban Affairs is conducting an investigation of Banca Nazionale del Lavoro (BNL) and its links to the Iraqi technology procurement network. The Committee is investigating BNL loans of over \$4 billion to Iraq including loans to Matrix-Churchill Corporation (MCC) an Iraqi front company operating in the U.S. As Chairman of the Committee on Foreign Investment in the United States (CFIUS), the Banking Committee respectfully asks for your assistance with this investigation.

Specifically, the Committee would like to learn more about the Government of Iraq (GOI) efforts to procure U.S. technology by investing in or acquiring U.S. companies such as MCC. As Chairman of the inter-agency process responsible for reviewing foreign investment in the U.S., the Committee requests that you answer the following questions and provide the following information:

1. Please provide the Committee with all documents in the Treasury Department's possession, whether created by the Treasury Department or other agencies, related to Iraqi attempts to acquire or invest in U.S. companies;

2. Related to Matrix-Churchill Corporation (MCC), please answer the following questions:

a. Matrix-Churchill machine tools are used in several U.S. armaments factories, foreign armaments factories, as well as in the U.S. aircraft and aerospace industries. Did the CFIUS review indirect acquisition of MCC in 1987? If yes, please provide details of this review.

b. The parent company of MCC was based in the U.K. The GOI purchased the U.K.-based parent of MCC in 1987. Thus, the GOI was able to gain control of U.S.-based MCC by purchasing its parent in the U.K. What mechanism is available to CFIUS to review a foreign acquisition of a U.S.-based firm through the purchase of its parent in a third country? Please elaborate.

If you have any questions concerning this request please have your staff contact Mr. Dennis Kane or Mr. Abuid Amaro. They can be reached at (202) 225-4247.

Sincerely yours,

HENRY B. GONZALEZ,
Chairman.

DEPARTMENT OF THE TREASURY,
Washington, DC, August 24, 1992.

Hon. HENRY B. GONZALEZ,
Chairman, Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: I am responding to your letter of July 15, 1992, to Secretary Brady in his capacity as Chairman of the Committee on Foreign Investment in the United States (CFIUS). In your letter, you indicate that the Banking Committee is investigating Banca Nazionale del Lavoro (BNL) and its relationship to the technology procurement network of the Government of Iraq (GOI). You also mention that the Committee is interested in learning more about the GOI and its attempts to acquire U.S. technology by buying or investing in U.S. companies such as Matrix-Churchill Corporation (MCC).

Your letter asks the Secretary, as CFIUS chair, to respond to two requests regarding the Banking Committee's investigation. On

behalf of the Secretary, the following are your requests and our responses:

1. Please provide the Committee with all documents in the Treasury Department's possession, whether created by the Treasury Department or other agencies, related to Iraqi attempts to acquire or invest in U.S. companies.

Response: CFIUS has no documents in its possession related to Iraqi attempts to acquire or invest in U.S. companies.

When CFIUS was created by Executive Order 11858 on May 7, 1975, it was given the responsibility of monitoring and reviewing significant foreign investments in the United States. It was not until the promulgation of Executive Order 12661 of December 27, 1988, following the enactment of Exon-Florio that CFIUS had the authority to conduct a review and, if necessary, an investigation of foreign direct investments in the United States that have a potential impact on U.S. national security.

From May, 1975, until December, 1988, CFIUS reviewed about 30 foreign direct investments involving U.S. corporations. None involved an investment by the GOI or its government-owned companies or subsidiaries.

Since December, 1988, CFIUS has received over 720 foreign direct investments in U.S. corporations and none have involved the GOI or its government-owned companies or subsidiaries.

You also request any other documents on Iraqi investments that the Department has in its possession. Since you have written to the Secretary in his capacity as chair of CFIUS, we are interpreting your request to be limited to materials received pursuant to Treasury's authorities to monitor and regulate Foreign Direct Investment (FDI). However, if you intended to obtain documents produced or acquired pursuant to Treasury's law enforcement authorities, I would appreciate your letting me know as soon as possible so that I may forward your letter to the appropriate offices.

2. Related to Matrix-Churchill Corporation (MCC), please answer the following questions:

a. Matrix-Churchill machine tools are used in several U.S. armaments factories, foreign armaments factories, as well as in the U.S. aircraft and aerospace industries. Did the CFIUS review the indirect acquisition of MCC in 1987? If yes, please provide details of this review.

Response: CFIUS did not review any transaction involving Matrix-Churchill.

b. The parent company of MCC was based in the U.K. The GOI purchased the U.K.-based parent of MCC in 1987. Thus, the GOI was able to gain control of the U.S.-based MCC by purchasing its parent in the U.K. What mechanism is available to CFIUS to review a foreign acquisition of a U.S.-based firm through the purchase of its parent in a third country? Please elaborate.

Response: The regulations that implement the Exon-Florio provision define foreign control functionally in terms of the ability to take specific actions with regard to the acquired company. The regulations require the party providing notice of a proposed transaction to trace control to the foreign parent and foreign affiliates, if any. This mechanism for reviewing an indirect foreign acquisition of a U.S.-based firm has been in place since July, 1989, when the Exon-Florio regulations were published in proposed form.

I hope this information satisfactorily addresses your request.

Sincerely,

MARY C. SOPHOS,
Assistant Secretary, Legislative Affairs.

AEROJET ORDNANCE CO.,
Jonesboro, TN, May 24, 1983.

Subject: RFQ82-011, CNC Lathes and Center-line Machine.

Mr. PHIL BRINDLEY.

Matrix-Churchill Corp., 5903 Harper Road, Cleveland, OH.

DEAR MR. BRINDLEY: Your proposal to fill our requirements on this RFP has been evaluated and, in this instance, was not selected for an award. We thank you for participating in our machine tool procurement and appreciate the effort made by you.

Your name and a copy of your proposal will remain on file for assistance in preparing bidder's lists for future machine tool requirements.

Sincerely,

KENT C. BORCHERS,
Purchasing Manager.

MATRIX CHURCHILL, CORP.,
Cleveland, OH, February 14, 1983.

Attention: Mr. Kent Borchers.

Subject: Matrix Churchill Quotation CR-302-002.

TNS, Inc.,
P.O. Box 158, Old Route 11-E, Jonesboro, TN.

DEAR KENT: Per our conversation of Friday 11th February, we were advised that the US Army would be the purchaser of this equipment. In this case the following document has validity:

'Duty Free Entry-Qualifying Country End Products and Supplies' DAR Paragraph 7-104.32 dated Jan 81.'

It is our interpretation that the equipment as quoted is subject to the above publication and as such can be imported Duty Free for US Army Purchase.

The prices as quoted include import duty to an increment equivalent to 5.7% of quoted prices.

Accordingly, please reduce our quoted prices by 5.7%.

Best regards,

PHIL BRINDLEY,
Sales Engineer.

(a) Service and Spare Parts:

Matrix Churchill's Cleveland, Ohio facility serves as the headquarters for service and spare parts.

We maintain a well-stocked inventory of replacement parts and can offer same day shipping of critical items.

As a policy, we source compatible replacement parts from U.S. vendors and stock them at our Cleveland facility. Additionally, all electronics, spindle drive, control components and bearings are of U.S. manufacture.

Matrix Churchill Service Engineers are of the highest caliber, are factory trained and have many years of experience. All of them have strong backgrounds in tooling, programming, electronics and CNC troubleshooting. Additionally, our Service Engineers are compensated on the same incentive bases as our Sales force. This ensures they have a professional, vested interest in timely, efficient service to our customers.

(b) Engineering Personnel:

From an Engineering standpoint, the project will be managed in the U.K. by Dr. Malcolm Thorneycroft. Mr. Thorneycroft holds a Doctorate in Mechanical Engineering and is a specialist in Flexible Manufacturing Systems and Control Engineering.

It is estimated that five percent (5%) of our engineering staff would be working on the project. It should be pointed out that much of the engineering designs have already been worked out on machines supplied already on like installations.

(c) Past Performance:

Churchill is the major supplier of machines for munitions production in the U.K. and one of the leading suppliers world wide with some 275 munitions installations.

Penetrators machined in depleted uranium and the sabot 'petals' are currently being produced on Churchill 302 and CTC-4 machines in several British Royal Ordnance factories. These installations are regarded as somewhat classified and we know that the US Army contacts and channels can verify these installations with the installation sites concerned.

(d) Schedule:

After contract award but prior to initiating construction and purchase of material, Churchill will submit the following system drawings:

[Not reproducible in the Record]

WORLDWIDE MUNITION MANUFACTURE
COUNTRIES USING CHURCHILL TURNING
EQUIPMENT

United Kingdom, Belgium, Switzerland, France, Pakistan, India, Israel, Argentina, Canada, Taiwan, Australia, and Egypt.
275 Machines Total.

MATRIX CHURCHILL CORP.,
Baghdad Hay Al-Adel.

Ref. No.: MCC 1718/89.
Date: 1st. July 1989.

DEAR MR. QADDUMI: Upon the instructions of Dr. Safa in a telephone conversation today he has instructed us to keep all the bills for you here for personal collection on your next visit, and I am to present to you as overleaf a bill for the amounts stated for your Accountants.

There is some doubt here about the bills being presented in full as they are from Military companies that we feel, if they are translated by your Accountants, cause you a few problems. Nothing sinister in them at all, but it is possible that they could be misconstrued by your Tax Authority. Kind regards,

JIM BARTHOLOMEW,
MCC Iraq Manager.

INVOICE NO: 1789

For renovating, decorating, rewiring faulty electrics, at your Offices in Hay Al-Adel Section 645/8/39.

Iraqi Dinar 6000.000

MAROUF CONSTRUCTION CO.

BARAKAT WALKER CO.,
Potomac, MD, November 7, 1988.

SAM NAMAN:

Please find below a suggested draft of a letter, per your request:

Per our telephone conversation of Friday, November 4, 1988 our company is selling a steel factory for approximately \$50 million to the Government of Iraq. We would like to barter this factory for Iraqi crude oil (Basra Light).

Please confirm that Coastal Corporation would be interested in purchasing the Iraqi crude at agreed upon price and delivery dates.

Hope the above is helpful.

Best regards,

A.B. BARAKAT.

MATRIX-CHURCHILL, CORP.,
Cleveland, OH, November 10, 1988.

Subject: Bartering With Iraq.

Mr. BARAKAT,
Barakat Walker and Co., Potomac, MD.

DEAR MR. BARAKAT: Per our telephone conversation of Friday, November 4, 1988 our

company is dealing with Iraq on many multi-million dollar projects. We would like to barter some of these projects for Iraqi crude oil. Would you confirm in writing that Coastal Corporation would be interested in purchasing the Iraqi crude oil at an agreed upon price and delivery dates along with their general terms and conditions. I look forward to hearing from you soon.

Best regards,

SAM NAMAN,
Project Manager.

REPORT ON THE STATUS OF
NICARAGUA

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Arkansas [Mr. ALEXANDER] is recognized for 60 minutes.

Mr. ALEXANDER. Mr. Speaker, I take this time to discuss a report on Nicaragua which I have filed today as a member of the Subcommittee on Foreign Operations, Export Financing and Related Programs of the Committee on Appropriations, accompanied by a letter to the gentleman from Mississippi, the Honorable JAMIE WHITTEN, chairman of the Committee on Appropriations, and to the gentleman from Wisconsin, the Honorable DAVID OBEY, chairman of the Subcommittee on Foreign Operations, Export Financing and Related Programs of the Committee on Appropriations.

Mr. Speaker, I will read a copy of the letter which accompanies the report:

SEPTEMBER 18, 1992.

Hon. JAMIE WHITTEN,
Chairman, Committee on Appropriations, The Capitol.

Hon. DAVID R. OBEY,
Chairman, Subcommittee on Foreign Operations, Export Financing and Related Programs, The Capitol.

Dear MESSRS. CHAIRMEN: Please find enclosed herewith my report to you on my recent trip to Nicaragua. Also enclosed is a copy of a General Accounting Office (GAO) Report. During the period of September 10 through September 12, 1992, while in Managua, Nicaragua, I met with numerous individuals from all sides of the political spectrum. See attachment. The transition that has occurred since my last visit in 1980 from a Marxist government to a functioning Democratic government has been truly remarkable. In the past two years since the election of Violeta Chamorro, Nicaragua has received significant financial assistance from the United States, which has resulted in the beginnings of economic recovery and social stability. However, much remains to be done, and in my view the U.S. has to play a vital and positive role in assisting this fragile democracy move forward.

The Administration is currently withholding \$104,000,000 in fiscal year 1992 assistance intended for Nicaragua, despite the fact no Committee of Congress has a formal hold on these funds. In fact, David Obey, Chairman of the Foreign Operations Subcommittee, wrote Secretary Baker on July 1, 1992, urging immediate disbursement. This was followed by a similar letter from Rep. Lee Hamilton and a further letter signed by over 50 members of the House. By continuing to withhold these funds the Administration is apparently responding to a request by the ranking Re-

publican of the Senate Foreign Relations Committee and issues raised in a Republican Staff Report of that Committee. I find this astonishing both procedurally and substantively. The findings in the attached report are based on my recent visit and are put forward to the Committee for their consideration.

Sincerely,

BILL ALEXANDER,
Member of Congress.

Mr. Speaker, I will now read from the report:

NICARAGUA REPORT
PROGRESS HAS BEEN MADE

The progress made in Nicaragua since the election of Violeta Chamorro to the presidency in 1990 has been remarkable considering the conditions she faced when taking office. The most noteworthy, of course, is the end of ten years of civil war. The fighting forces in that war have been demobilized and drastically reduced in size. According to the Organization of American States (OAS), more than 18,000 former resistance combatants have been demobilized, and 35,000 have been repatriated. According to U.S. Department of Defense officials in Nicaragua, the Nicaraguan Army has been cut from 30,000-35,000 members of the active forces to 15,000-16,000 today.

President Chamorro, as she took office in April 1990, inherited an economy in ruins. According to the General Accounting Office (GAO), "per capital gross domestic product has fallen to less than one half of what it had been prior to the 1979 Sandinista revolution, the country had experienced hyper-inflation, which peaked at 33,654 percent in 1988; foreign debt had accumulated to about \$11 billion, and per capita income was estimated at less than \$300 in 1991, the lowest in Central America."

The Chamorro government is implementing an ambitious policy of reconciliation, democratization, reform and economic development that is assisted by a large infusion of economic aid from the U.S. This has been successful in enabling the economy of Nicaragua to begin its recovery. Vital assistance from the U.S. and other donors has ended hyper-inflation and permitted stabilization of the currency. The cordoba is traded freely at a stable 5 cordobas to \$1, and black market currency speculation has largely ceased. Nicaragua has cleared its arrears with the World Bank and the Inter-American Development Bank, and new lending from these institutions has resumed. U.S. assistance has also been used to provide the external financing needed to bring about economic stabilization, eliminate state monopolies, legalize private financial institutions and to remove trade restrictions. Other funds have been used to finance imports from the U.S. and to reduce government employment in Nicaragua. Nearly 28,000 people have left the government's employ in the past two years.

The institutions of government are functioning in Nicaragua. U.S. assistance has been used to advise various institutions on both policy and administrative matters. Remarkable progress has been made in the capacity of the National Assembly to function. Finally with U.S. help independent labor unions have gained strength in both membership and professional capability.

PROBLEMS EXIST

Naturally, Nicaragua has a long way to go to consolidate a democratic system of government. Our own historical experience clearly shows that this would be the case. It took our nation about a half century to re-

cover from the ravages of our own Civil War. Both the police and the Army continue to be dominated by one party. Unemployment is very high and credit is tight. Areas outside of the capital continue to be unstable. Two small groups of former contras have recently taken up arms and are encamped in the northern region. The claims of former property owners are multiplying as the government struggles to set up a mechanism to address them. Allegations of bribery and corruption have surfaced in the National Assembly contributing to a stalemate within that body. Finally, certain members of the Assembly, for various reasons, are using this stalemate to attempt to stymie the government and continue the hold up of U.S. assistance.

In order to address these problems the U.S. should be working in a positive fashion with all elements of Nicaraguan society. Specifically I would strongly recommend that:

1. The U.S. Department of Justice's use of resources, through the International Criminal Investigative Training and Assistance Program (ICITAP), to conduct a thorough and comprehensive professional police training program, such as we did in Panama after the ouster of Manuel Noriega. Most of the individuals who were trained for the new police force of Panama were former members of the Panama Defense Force. Also, a comprehensive police training program is now underway in El Salvador as that nation struggles to establish a new police force. The U.S. simply cannot be credible on police reform, if this nation does not engage the institution and attempt a professional police training program.

2. The U.S. should encourage the continued reduction in the size of the Nicaraguan Army and its reserve structure to bring it into line with other countries of the region. The U.S. should also encourage a process of professionalizing and depoliticizing the Army through training programs. The U.S. should insist upon the cessation of arms transfers to non-governmental entities outside Nicaragua, and on full disclosure of all planned arms sales to other countries in the region.

3. The U.S. should work with the government to achieve the return of confiscated properties. Foreign investors must believe that their property will be secure. This process will take time, and the ability of the government to compensate all claimants without jeopardizing economic stability must be taken into account. However, steady progress should be demonstrated. It is hoped that claimants realize that had Mrs. Chamorro not won election, the chances of getting their properties returned would not even exist.

4. The government must accelerate its effort to investigate alleged human rights abuses and killings. I commend recent efforts to form a tri-partite commission to address allegations of the killings and abuse of both former contras and Sandinistas. The U.S. should assist in this process, but should also initiate judicial reform programs in order to strengthen the institutional capability to deal with the numerous allegations which surface from time to time. The aid program should be altered to make judicial reform a priority. The U.S. should use the benefit of our experience in the region to help design and implement a comprehensive program for Nicaragua. In addition, perhaps through the Commission for Independent Support and Verification (OAS-CIAV), we should avail ourselves of the experience of the Organization of American States by inviting OAS participation in this process.

5. The U.S. should denounce alleged corruption and bribery and, if true, work to end these destructive and destabilizing practices. The U.S. should support any effort by the Nicaraguans to explore the feasibility of establishing a code of ethics for government officials.

6. The U.S. should offer to accelerate its effort to strengthen the professional capability of the National Assembly, being careful not to put this nation in the position of appearing to interfere in any way to the duly elected government of Nicaragua. It is my observation after meeting with members of the Nicaraguan Assembly that ideological differences represent a significant obstacle to real economic progress. Because of my experience in Congress I understand that there will be differences of opinion in a democracy, but I also fully understand—particularly during this time of political gridlock in Washington—that partisan differences can reach such a level as to bring progress to a grinding halt. One measure of relief could come from a more open flow of information from the Executive to the Legislative branch of government.

Both Washington and Managua have lessons to learn. But what Nicaragua desperately needs is to put aside political and ideological bickering and pull together in an effort to stimulate economic growth.

I can best sum up my view of this situation by relating what I told Sandinista Party head, Daniel Ortega: "ideologica no hace tortillas" (ideology does not make tortillas).

Less conspicuous ideological debate would serve to attract foreign investors.

7. The U.S. should alter the aid program so its effects are felt more directly by the people. While the initial aid program was devoted largely to solving macro-economic problems, it's high time to focus on more basic needs. At a minimum, one half of the aid program should be provided in the form of development-related projects. While some effort has been devoted to health, education, agriculture and environmental protection, much more remains to be done. I commend the U.S. citizens managing the AID program in Nicaragua. Their impressive performance is making a beneficial difference.

One of the most pressing problems I encountered was the lack of credit for small farmers. This exacerbates social tensions in rural areas because it fosters unemployment and loss of hope. The U.S. should offer to use existing successful models from U.S. farm programs to design and implement an appropriate credit or credit guarantee program for small to medium sized farmers in Nicaragua.

Great needs exist in the areas of health and education. According to the GAO report "in early 1991 Nicaragua had one of Central America's highest infant mortality rates at 61 deaths per thousand, and an estimated 20 to 30 percent of Nicaraguan children were malnourished." Also "although the Sandinistas has instituted a major educational campaign in its early years that claimed significant successes, by 1987 literacy rates were estimated at 26 percent and texts used in primary and secondary schools were heavily politicized." The current priority of the aid program should be altered to address these needs. Addressing basic human needs and putting people to work is still the most viable method of enabling social stability. Without that stability, all of the economic progress made in the past two years will fade away.

U.S. SHOULD NOT WITHHOLD AID

The State Department is currently continuing to withhold fiscal year 1992 assistance

to Nicaragua despite the fact that Congress has no formal holds on these funds. To continue to withhold these funds threatens to seriously destabilize this fragile democracy and to strengthen the power of those extreme elements from both the left and right. In the past months the Nicaraguan government has made progress in the areas of policy reform, property rights and addressing human right abuses. The U.S. should and will undoubtedly continue to strongly urge the Nicaraguan government to continue to make progress in these areas.

The critical question: How should these reforms affect the flow of aid. These funds are needed now. The funds were originally scheduled for disbursement in early July of this year. The U.S. State Department has added conditions to the release of these funds at a time when the Nicaraguan government's back is to the wall. If explicit conditionality involving specific reforms not related to the economy was desired, it should have been made clear to the Nicaraguans nine months ago, when Secretary Baker visited the country. By continuing to withhold these funds at this time, the Administration gives the appearance of giving credence to all of the allegations in the Republican Staff report of the Senate Foreign Relations Committee, and ignores the will of the majority of members in the U.S. Congress.

The continued suspension of U.S. aid weakens Mrs. Chamorro further and puts democracy at risk. Ironically, the beneficiaries of this action hold may likely be opponents of democracy. Any abrupt removal of Sandinistas from government positions will go a long way toward unifying the Sandinista party, which is currently not united. This is particularly ironic after the efforts in the 1980s by the Reagan Administration to overthrow the Sandinistas and establish a democratic government in Managua.

On the other side of the political spectrum the continued hold encourages those who prefer to come to Washington to fuel political controversies, rather than address problems through their own institutions and processes in Nicaragua. It's simply too late to impose further conditions on fiscal year 1992 assistance. However, this report may be useful in shaping the fiscal year 1992 U.S. aid package.

In the words of Cardinal Obando y Bravo: without this aid Nicaragua will be "in big trouble."

NICARAGUA TRIP

LIST OF CONTACTS—MEETINGS

President—Violeta de Chamorro.
 Presidency Minister—Antonio Lacayo.
 General Humberto Ortega.
 OAS-CIAV—Santiago Murray.
 Cardinal Obando y Bravo.
 Daniel Ortega.
 Pedro Joaquín Chamorro—Editor—La Prensa.
 Carlos Fernando Chamorro, Editor—Barricada.
 Jose Pallais—Vice Minister, Foreign Affairs.
 U.S. Embassy: Agency for International Development.
 Representatives of all political parties of the Nicaraguan Assembly.
 Members of the Business community.
 Land Claimants: Juan Vassalli, Garold LaRue.

According to Rules of the House of Representatives, the General Accounting Office [GAO] full report, dated August 19, 1992 "Aid to Nicaragua: U.S.

Assistance Supports Economic and Social Development," is too lengthy for reprint in the CONGRESSIONAL RECORD. Following is the executive summary of that report.

AID TO NICARAGUA—EXECUTIVE SUMMARY PURPOSE

Upon its inauguration on April 25, 1990, the democratically elected government of Nicaragua headed by President Chamorro inherited an economy in very poor condition. The country faced hyperinflation, high unemployment, and dire social needs. The United States provided almost \$500 million in economic support and development assistance from February 1990 through fiscal year 1991 to support Nicaragua's efforts to address its economic and social needs, and its plans to provide an additional \$142 million in fiscal year 1992 and about \$200 million annually through fiscal year 1996. The Dire Emergency Supplemental Appropriations Act of 1990 (P. L. 101-302) required that GAO report on the effectiveness of and lessons learned from U.S. assistance to Nicaragua.

BACKGROUND

The Agency for International Development (AID) designed its assistance program to (1) help meet Nicaragua's foreign exchange and import needs, (2) encourage the Nicaraguan government to undertake economic reforms, (3) address immediate social concerns and longer term developmental needs, and (4) support the efforts of the United Nations and the Organization of American States (OAS) to repatriate and resettle former Nicaraguan Resistance members and their dependents.

RESULTS IN BRIEF

Cash grants totaling \$340.5 million between June 1990 and December 1991 were effective in helping Nicaragua begin to stabilize its economy and to lay the foundation for future growth. The grants enabled Nicaragua to import goods and helped the government clear its arrears with international financial institutions. An important lesson learned is that AID's continuing dialogue with the government of Nicaragua and the international financial institutions, along with the immediate availability of hard currency, was effective in supporting economic stabilization.

The conditions placed on grants encouraged Nicaragua to undertake economic reforms, and as an incentive deposits were made to Nicaragua's account as grant agreement conditions were met. However, this occurred in advance of Nicaragua's need to spend the funds. As a result, Nicaragua earned interest on the funds and the U.S. government incurred additional interest costs.

Nicaragua still faces several obstacles to economic growth, such as defining property rights and resolving political conflicts that have led to violence. Moreover, Nicaragua has not yet resolved U.S. citizen's claims for expropriated property.

AID programmed \$82.2 million for 18 development projects in education, health, employment, and other sectors. AID implemented some projects quickly, but implementation of the long-term development projects has been slower than AID expected.

Resettling the former Resistance took more than 1 year longer than expected and will cost about \$13.7 million more than the \$28.8 million the United States initially provided. U.S., OAS, and Pan American Health Organization officials estimated in November 1991 that between 75 and 80 percent of the former Resistance members had been resettled, but data were not available to verify this estimate.

PRINCIPAL FINDINGS

Cash grants encouraged economic reforms

AID's cash grants of \$265.5 million for balance of payments support and \$75 million to help clear arrears with international financial institutions provided the Nicaraguan government with the financial support necessary to begin stabilizing the economy. The assistance was conditioned on implementing certain economic reforms, and funds were deposited to Nicaragua's account as the conditions were met. However, AID's policy of depositing funds in Nicaragua's Federal Reserve Bank account as conditions were met meant that funds were financed by U.S. borrowing and deposited in Nicaragua's account in advance of when they were used to finance imports. As of March 31, 1992, the funds had earned about \$6.7 million in interest for Nicaragua. To prevent this from occurring in the future, AID could require that (1) recipient government accounts in the Federal Reserve Bank do not earn interest or (2) interest be paid to the U.S. Treasury.

Nicaragua made progress during 1990, transforming its economy from a command economy to a market economy. Exchange rates were unified, public revenues were stabilized, and fiscal deficit was reduced. In March 1991, monetary policy and budget reforms were introduced. These actions, supported by U.S. assistance, contributed to reducing inflation from a peak of 117 percent in May 1990 to near zero by December 1991. With the help of the U.S. grant, Nicaragua cleared its arrears of \$303.2 million to the World Bank and the Inter-American Development Bank in September 1991. These banks, along with the International Monetary Fund, have since earmarked about \$450 million in additional assistance through fiscal year 1994.

Additional measures, in particular, settling property disputes and resolving political conflicts that have led to violence, will be necessary to create an economic climate favorable to investment and economic growth. Also, no significant investment in productive resources will likely occur until Nicaragua guarantees property rights of investors. About 150 U.S. citizens had claims for expropriated property as of June 1992, but the Nicaraguan government has not yet resolved most of them. The State Department believes Nicaragua is taking appropriate steps to settle these claims, as required by section 620(e) of the Foreign Assistance Act of 1961, as amended, for U.S. assistance to continue. However, the act does not require the State Department to provide the Congress the factual basis for this conclusion.

U.S.-financed development projects started more slowly than anticipated

AID wanted to demonstrate quick, visible support of the Chamorro government, and accordingly, allocated 72 percent of fiscal year 1990 development assistance for nine "immediate impact" projects, such as providing needed schoolbooks and pharmaceuticals. Other funds were allocated to nine longer term development projects, such as managing natural resources and strengthening democratic institutions, but these projects took almost 18 months to begin. Fifteen of the 18 projects had been designed and approved by the end of 1991, although not all had begun operations. At that time, \$32.4 million of the \$82.2 million obligated in fiscal years 1990 and 1991 had been disbursed, with most of the funds being spent on immediate impact projects. AID requires evaluations of projects, but the mission had performed an interim evaluation of only one project and had extended two projects without an evaluation of their effectiveness or impact.

U.S. aid supported resettlement efforts

At the time of the elections in February 1990, the United States hoped that OAS would be able to resettle the former Resistance—an estimated 20,000 former Resistance members and 40,000 dependents—in time for them to begin producing their own food at the August 1990 harvest. With \$28.8 million in U.S. assistance, OAS established a program to provide transportation to resettlement areas, farm tools, housing construction materials, monthly food packages, and medical care. However, resettlement took longer and cost more than expected because of (1) delays in demobilization and repatriation, (2) the Nicaraguan government's failure to provide enough land, and (3) an increase in the number of program beneficiaries to about 117,500. As a result, AID provided OAS \$10.9 million more in fiscal year 1991 to continue and expand its program, and later an additional \$2.8 million to continue its efforts to mediate disputes among the former Resistance, Sandinistas, and the government.

RECOMMENDATIONS

GAO recommends that the Administrator of AID (1) revise the policy for structuring grant agreements for cash transfers held in Federal Reserve accounts to minimize the costs to the United States and (2) direct the AID mission in Nicaragua to make timely evaluations of projects and complete them before projects are extended.

MATTERS FOR CONGRESSIONAL CONSIDERATION

To ensure that it is adequately apprised of the steps being taken by any foreign government to provide relief to any U.S. citizen whose property has been seized or expropriated, the Congress may wish to consider amending section 620(e) of the Foreign Assistance Act of 1961 to require the President to report to the Congress the factual basis for any conclusion that the foreign government has taken or is taking the appropriate steps to provide such relief.

AGENCY COMMENTS AND GAO EVALUATION

AID agreed that evaluations should be timely and undertaken before projects are extended and stated that corrective actions had begun. AID indicated that complying with a proposed recommendation that the timing of cash transfers coincide more closely with Nicaragua's need for the funds would seriously affect the incentives offered Nicaragua to quickly carry out the policy and economic reforms. GAO agrees that depositing funds in Nicaragua's account as conditions are met offer an incentive to institute reforms; however GAO believes that this could be accomplished more economically. GAO has revised its recommendations on this point to encourage AID to adopt better cash management principles in developing future grant agreements.

Both the State Department and AID said that over the past 2 years, senior U.S. officials have placed a high priority on resolving claims. GAO notes that specific actions cited have occurred since January 1992. Both State and AID acknowledged, however, that most claims had not been resolved. The State Department maintained that because Nicaragua had taken some action, the prohibition against continued aid did not apply. GAO believes that the factual bases for reaching such a conclusion in cases like Nicaragua should be reported to the Congress.

□ 1350

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. HORTON) to revise and extend their remarks and include extraneous material:)

Mr. HORTON, for 60 minutes, on September 30.

Mr. REGULA, for 60 minutes each day, on September 22 and 23.

(The following Members (at the request of Mr. GONZALEZ) to revise and extend their remarks and include extraneous material:)

Mr. ANNUNZIO, for 5 minutes, today.

Mr. ALEXANDER, for 60 minutes, today.

Mr. DYMALLY, for 60 minutes, today.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

(The following Members (at the request of Mr. HORTON) and to include extraneous matter:)

Mr. MOORHEAD.

(The following Members (at the request of Mr. GONZALEZ) and to include extraneous matter:)

Mr. ANDERSON in 10 instances.

Mr. GONZALEZ in 10 instances.

Mr. BROWN in 10 instances.

Mr. ANNUNZIO in six instances.

Mrs. SCHROEDER.

Mr. LANTOS in two instances.

Mr. MONTGOMERY.

Mr. MAZZOLI in two instances.

ENROLLED BILLS SIGNED

Mr. ROSE, from the Committee on House Administration, reported that that committee had examined and found truly enrolled bills of the House of the following titles, which were thereupon signed by the Speaker:

H.R. 238. An act for the relief of Craig A. Klein;

H.R. 454. An act for the relief of Bruce C. Veit;

H.R. 478. An act for the relief of Norman R. Ricks;

H.R. 712. An act for the relief of Patricia A. McNamara;

H.R. 3379. An act to amend section 574 of title 5, United States Code, relating to the authorities of the Administrative Conference; and

H.R. 5620. An act making supplemental appropriations, transfers, and rescissions for the fiscal year ending September 30, 1992, and for other purposes.

ADJOURNMENT

Mr. ALEXANDER. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 1 o'clock and 53 minutes p.m.)

the House adjourned until tomorrow, Tuesday, September 22, 1992, at 12 noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

4286. A letter from the Secretary of Agriculture, transmitting a report entitled "New York-New Jersey Highlands Regional Study"; to the Committee on Agriculture.

4287. A letter from the Commissioner, National Center for Education Statistics, transmitting the fourth annual report on dropout and retention rates entitled "Dropout Rates in the United States: 1991"; to the Committee on Education and Labor.

4288. A letter from the Acting Director, Defense Security Assistance Agency, transmitting notice of the Department of the Navy's proposed Letter(s) of Offer and Acceptance [LOA] to the Coordination Council for North American Affairs for training (Transmittal No. 92-45), pursuant to 22 U.S.C. 2776(b); to the Committee on Foreign Affairs.

4289. A letter from the Acting Assistant Secretary for Legislative Affairs, Department of State, transmitting a report on illegal payments in connection with international security assistance, pursuant to 22 U.S.C. 2394a; to the Committee on Foreign Affairs.

4290. A letter from the Office of Legislative Affairs, Department of Justice, transmitting a draft of proposed legislation entitled "The Orderly Phase-Down of Parole Act of 1992"; to the Committee on the Judiciary.

4291. A letter from the Secretary of Commerce, transmitting a report on the status of efforts to negotiate measures necessary for the conservation and management of swordfish within the International Commission for the Conservation of Atlantic Tunas; to the Committee on Merchant Marine and Fisheries.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. ROSTENKOWSKI: Committee on Ways and Means. H.R. 3204. A bill to amend title 17, United States Code, to implement a royalty payment system and a serial copy management system for digital audio recording, to prohibit certain copyright infringement actions, and for other purposes; with an amendment (Rept. 102-873, Pt. 2). Order to be printed.

Mr. BROOKS: Committee on the Judiciary. S. 2201. An act to authorize the admission to the United States of certain scientists of the Commonwealth of Independent States and the Baltic States as employment-based immigrants under the Immigration and Nationality Act, and for other purposes. (Rept. No. 102-881, Pt. 1). Order to be printed.

Mr. FORD of Michigan: Committee on Education and Labor. H.R. 1637. A bill to make improvements in the Black Lung Benefits Act; with an amendment (Rept. 102-882). Referred to the Committee of the Whole House on the State of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 5 of rule X and clause 4 of rule XXII,

Mr. KYL introduced a concurrent resolution (H. Con. Res. 360) concerning the sale of F-15 aircraft to Saudia Arabia; which was referred to the Committee on Foreign Affairs.

ADDITIONAL SPONSORS

Under clause 4 of rule XXII, sponsors were added to public bills and resolutions as follows:

H.R. 78: Mr. KOSTMAYER.

H.R. 617: Mr. SPRATT.

H.R. 2222: Mr. MOORHEAD and Mr. SANGMEISTER.

H.R. 3071: Mr. COSTELLO and Mr. HYDE.

H.R. 3871: Mr. TORRICELLI and Mr. SAWYER.

H.R. 4040: Mr. RAY.

H.R. 4243: Ms. LONG.

H.R. 4279: Mr. KILDEE.

H.R. 4526: Mr. GILMAN.

H.R. 5153: Mr. HYDE, Mr. HANCOCK, and Mr. DOOLITTLE.

H.R. 5216: Mr. PERKINS, Mr. MCCRERY, Mr. EMERSON, Mr. IRELAND, Mr. HOBSON, Mr. QUILLLEN, and Mr. SUNDQUIST.

H.R. 5693: Mr. LEVINE of California.

H.R. 5728: Mr. GLICKMAN.

H.R. 5745: Mr. DREIER of California, Mr. ROBERTS, Mr. ROE, and Mr. SOLOMON.

H.R. 5842: Mrs. COLLINS of Illinois, Ms. WATERS, Mr. MFUME, Mr. HAYES of Illinois, Mr. CLAY, Mr. MARTINEZ, Mr. CARR, Ms. HORN, Ms. PELOSI, Mr. KILDEE, Mr. LEWIS of Georgia, Mr. GUARINI, Mr. HUGHES, Mr. PALLONE, Mr. LIVINGSTON, Mr. OLVER, Mr. MARKEY, Mr. SWIFT, Mr. DURBIN, Mr. MOODY, and Mr. SERRANO.

H.R. 5851: Mr. GORDON.

H.R. 5862: Mr. BUSTAMANTE, Mr. FRANK of Massachusetts, Ms. NORTON, Mrs. UNSOELD, Mrs. MORELLA, Mr. GONZALEZ, and Mr. RANGEL.

H.R. 5877: Mr. HAYES of Illinois, Mr. OWENS of New York, and Mr. LEVINE of California.

H.R. 5973: Mr. EVANS.

H.J. Res. 399: Mr. IRELAND, Mr. RINALDO, Mr. LEHMAN of California, and Mr. BROWN.

H.J. Res. 474: Mr. BROOKS, Mr. PORTER, Mr. HAYES of Illinois, Mr. KENNEDY, Mr. PAYNE of New Jersey, and Mr. BRYANT.

H.J. Res. 476: Mr. ROTH, Mr. CHANDLER, Mr. GILLMOR, Mr. MOLLOHAN, Mr. SMITH of Texas, Mr. THORNTON, Mr. THOMAS of California, Mrs. LLOYD, Mr. KLECZKA, and Mr. SUNDQUIST.

H.J. Res. 484: Mr. LEVIN of Michigan, Mr. DEFazio, Mr. COLEMAN of Texas, Mr. LIPINSKI, Mr. BACCHUS, Mr. MANTON, Mrs. PATTERSON, Mrs. COLLINS of Illinois, Mr. GONZALEZ, Mr. McNULTY, Mr. KLECZKA, Mr. BUSTAMANTE, Mr. LAGOMARSINO, Mr. JOHNSTON of Florida, Mr. WAXMAN, Mr. JONTZ, Mrs. BENTLEY, Mr. BILIRAKIS, Mr. COUGHLIN, Mr. DORNAN of California, Mr. HYDE, Mr. MARTIN, Mr. MCCOLLUM, Mr. MCDADE, Mr. RINALDO, Mr. ROBERTS, Mr. RIGGS, Mr. WYLIE, Mr. THOMAS of California, Mr. KENNEDY, and Mr. SMITH of Texas.

H.J. Res. 489: Mr. ROBERTS, Mr. SMITH of Oregon, Mr. McGRATH, Mr. OBEY, Mr. BOEHLERT, Mr. YATRON, Mr. HAYES of Illinois, Mr. DICKS, Mr. CHAPMAN, Mr. BROWN, Mr. CALAHAN, Mr. THOMAS of California, Mr. MCDADE, Mr. MORRISON, Mr. ASPIN, Mr. DELUMS, Mr. McDERMOTT, Mr. PRICE, Mr. SABO, Mr. DYMALLY, and Mr. SWIFT.

H. Con. Res. 353: Mr. KLUG, Mr. DYMALLY, Mr. LANTOS, Mr. FOGLIETTA, and Mr. KOSTMAYER.

H. Res. 557: Mr. BROOMFIELD.

AMENDMENTS

Under clause 6 of rule XXIII, proposed amendments were submitted as follows:

H.R. 5231

By Mr. WALKER:

—Page 108, line 5, strike "\$3,000,000" and insert in lieu thereof "\$2,000,000".

—Page 108, line 6, after "Policy" strike "\$5,000,000" and insert in lieu thereof "including competitiveness research, data collection, and evaluation, \$4,000,000".

—Page 108, line 8, strike "\$2,000,000" and insert in lieu thereof "\$1,500,000".

—Page 108, strike lines 9 and 10.

—Page 110, line 7, strike "\$272,500,000" and insert in lieu thereof "\$230,000,000".

—Page 111, line 5, strike "\$35,000,000" and insert in lieu thereof "\$25,000,000".

—Page 111, line 10, strike "\$1,570,000,000" and insert in lieu thereof "\$400,000,000".

—Page 113, line 6, after "1994" insert the following: ", except that such amount in each fiscal year shall be limited to—

"(A) amounts derived from amounts otherwise authorized to be appropriated to the Secretary for that fiscal year; or

"(B) the amount requested, in the president's annual budget request to Congress, specifically for such Program for that fiscal year".

—Page 113, line 10, after "1995" insert the following: ", except that such amount in each fiscal year shall be limited to—

"(A) amounts derived from amounts otherwise authorized to be appropriated to the Secretary for that fiscal year; or

"(B) the amount requested, in the president's annual budget request to Congress, specifically for such Program for that fiscal year".

—Beginning on Page 12, line 3 strike all through Page 16 and renumber the subsequent sections accordingly.

—Page 8, beginning on line 4, strike all through Page 9, line 3.

—Page 9, beginning on line 14, strike all through page 11, line 18 and renumber.

—Page 18, beginning on line 10, strike all through line 8 on Page 26, and renumber the subsequent sections accordingly.

—Page 27, beginning on line 10, strike all through Page 35, line 2, and renumber the subsequent sections accordingly.

—Page 39, beginning on line 4, strike all through Page 42, line 10.

—Page 44, beginning on line 11, strike all through Page 46.

—Page 47, strike all through Page 99, line 13.

—Page 50, beginning on line 21, strike all through Page 51.

—Page 52, beginning on line 1 strike all through Page 99, line 13.

—Page 100, beginning on line 12, strike all through Page 101, line 15.

—Page 109, strike lines 11 through 23.

—Page 105, after line 10, insert the following:

"(D) develop and test criterion and methodologies for evaluating the extent to which programs established or expanded under this Act enhance United States competitiveness more effectively than would competing uses for comparable funding in the private sector.

—Page 102 beginning on line 16, strike all through Page 103, line 17.

—Page 106, line 1, strike all through Page 107, line 15.

—Page 112, line 24, after "Secretary" insert the following: ", if the Secretary certifies to the Congress that each program would enhance United States competitiveness more effectively than would competing uses for comparable funding in the private sector".

—Page 24, line 1, delete "shall" and insert "should".

—Page 25, line 7, delete "shall" and insert "should".

—Page 25, line 9, delete "shall" and insert "may".

—Page 25, line 14, delete "shall" and insert "should".

—Page 25, line 17, delete "shall" and insert "should".

—Page 25, line 18, delete "shall" and insert "should".

—Page 25, line 25, delete "shall" and insert "should".

—Page 26, line 13, delete "shall" and insert "should".

—Page 27, line 8, delete "shall" and insert "may".

—Page 42, line 6, delete "shall" and insert "should".

—Page 42, line 25, delete "shall" and insert "may".

—Page 44, line 16, delete "shall" and insert "may".

—Page 45, line 8, delete "shall" and insert "may".

—Page 45, line 16, delete "shall" and insert "should".

—Page 46, line 11, delete "shall" and insert "may".

—Page 48, line 10, delete "shall" and insert "may".

—Page 48, line 14, delete "shall" and insert "may".

—Page 48, line 25, delete "shall" and insert "may".

—Page 56, line 3, delete "there is established" and insert "the Secretary may establish".

—Page 56, line 7, delete "shall" and insert "may".

—Page 56, line 15, delete "shall" and insert "should".

—Page 57, line 8, delete "shall" and insert "may".

—Page 57, line 11, delete "shall" and insert "should".

—Page 100, line 19, delete "shall" and insert "may".

—Page 101, line 18, delete after "Board" insert "if".

—Page 101, line 19, delete "shall" and insert "may".

—Page 102, line 22, delete "shall" and insert "may".

—Page 104, line 15, delete "shall" and insert "may".

—Page 105, line 13, delete "shall" and insert "should".

—Page 8, line 21, delete "shall" and insert "should".

—Page 9, line 5, delete "shall" and insert "should".

—Page 9, line 15, delete "There is established" and insert "The Secretary may establish".

—Page 9, line 18, delete "shall" and insert "should".

—Page 9, line 18, delete "shall" and insert "should".

—Page 10, line 16 delete "shall" and insert "should".

—Page 11, line 7, delete "shall" and insert "may".

—Page 11, line 10, delete "shall" and insert "should".

—Page 11, line 14, delete "shall" and insert "may".

—Page 12, line 6, delete "shall" and insert "may".

—Page 12, line 20, delete "shall" and insert "may".

—Page 13, line 9, delete "shall" and insert "may".

—Page 16, line 3, delete "shall" and insert "may".

—Page 16, line 8, delete "shall" and insert "should".

—Page 17, line 5, delete "shall" and insert "may".

—Page 17, line 15, delete "shall" and insert "may".

—Page 18, line 13, delete "There is hereby established" and insert, "The Secretary may establish".

—Page 18, line 20, delete "shall" and insert "may".

—Page 19, line 19, delete "shall" and insert "may".

—Page 20, line 10, delete "shall" and insert "may".

—Page 20, line 22, delete "shall" and insert "may".

—Page 21, line 14, delete "shall" and insert "may".

—Page 22, line 10, delete "shall" and insert "should".

—Page 22, line 12, delete "shall" and insert "should".

—Page 22, line 16, delete "shall" and insert "should".

—Page 22, line 20, delete "shall" and insert "should".

—Page 23, line 1, delete "shall" and insert "should".

—Page 23, line 11, delete "shall" and insert "should".

—Page 23, line 15, delete "shall" and insert "should".